Scio Diamond Technology Corp
Form 8-K
April 14, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): **April 8, 2014**

SCIO DIAMOND TECHNOLOGY CORPORATION

(Exact Name of Registrant as Specified in Charter)

Nevada	**333-166786**	**45-3849662**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

411 University Ridge Suite D **Greenville, SC**	**29601**
(Address of Principal Executive Offices)	(Zip Code)

Registrant s telephone number, including area code: **(864) 751-4880**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)

Item 5.03. Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year

On April 8, 2014, the Board of Directors of the Company adopted and approved, effective April 8, 2014, the Amended and Restated Bylaws of Scio Diamond Technology Corporation (the Amended and Restated Bylaws). The Amended and Restated Bylaws amend and restate the Company s bylaws in their entirety to, among other things:

(i) update the name of the Company to reflect the Company s current name;
(ii) revise the provision regarding notice of shareholder meetings;
(iii) remove the ability of shareholders to act by written consent and prohibit shareholders from taking action without a meeting, unless approved in advance by the Board of Directors;
(iv) add a provision regarding adjournments of shareholder meetings;
(v) revise the quorum requirement for shareholder meetings so that the holders of a majority in voting power of the outstanding shares of stock entitled to vote at the meeting shall constitute a quorum, rather than two persons as the previous Company bylaws stated;
(vi) prohibit a proxy from being voted or acted upon after three years from its date, unless the proxy provides for a longer period;
(vii) add a provision stating that a proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power;
(viii) permit a shareholder to revoke a proxy which is not irrevocable;
(ix) permit that voting at meetings of shareholders need not be by written ballot;
(x) add a provision that at all meetings of shareholders for the election of directors at which a quorum is present a plurality of the votes cast shall be sufficient to elect and that all other elections and questions presented to the shareholders at a meeting at which a quorum is present shall be decided by the affirmative vote of the holders of a majority in voting power of the shares of stock of the Company which are present in person or by proxy and entitled to vote thereon;
(xi) add a provision regarding who will preside at shareholder meetings;
(xii) modify and add provisions regarding fixing the record date for the determination of shareholders of record;
(xiii) permit or, if obligated by law, require the Company to appoint one or more inspectors of election in advance of any meeting of shareholders;
(xiv) add a provision regarding the conduct of shareholder meetings which includes that the presiding person at any meeting of shareholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered;
(xv) require the advance notice of nominations for election to the Board of Directors or for the proposal of business to be considered by shareholders;
(xvi) remove the restriction that the Board of Directors may have no more than nine

directors and give the Board of Directors the authority to set the number of directors, rather than shareholders;

(xvii) revise the provision regarding the election and resignation of directors;

(xviii) modify the provision regarding vacancies on the Board of Directors and state that no decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent directors;

(xix) revise the provision regarding director compensation and permit the Board of Directors to set director compensation, rather than shareholders;

(xx) permit a director to serve the Company in any other capacity as an officer, agent, employee, or otherwise and receive compensation therefor;

(xxi) permit that regular meetings of the Board of Directors may be held at such places within or without the State of Nevada and at such times as the Board of Directors may from time to time determine;

(xxii) permit special meetings of the Board of Directors to be held at any time or place within or without the State of Nevada whenever called by the President, any Vice President, the Secretary, or by any member of the Board of Directors and require that notice be given at least twenty-four hours before the special meeting;

(xxiii) set the quorum requirement of a Board meeting as the directors entitled to cast a majority of the votes of the whole Board of Directors and that a majority of the votes entitled to be cast by the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors;

(xxiv) revise the provision regarding directors acting without a meeting;

(xxv) revise provisions regarding committees of the Board of Directors;

(xxvi) permit the Board of Directors to choose a Chairperson and Vice Chairperson of the Board from among its members;

(xxvii) permit one person to hold multiple offices;

(xxviii) permit the Board to fill any vacancy in any office of the Company for the unexpired portion of the term;

(xxix) require that removal of an officer be without prejudice to the contractual rights of such officer, if any, with the Company;

(xxx) provide that the Board of Directors may prescribe the powers and duties of officers of the Company;

(xxxi) permit the Board to require that any officer, agent or employee give security for the faithful performance of his or her duties;

(xxxii) unless otherwise provided by resolution adopted by the Board of Directors, permit the Chairperson of the Board, President or any Vice President to appoint an attorney or agent of the Company to cast the votes which the Company may be entitled to cast as the holder of stock or other securities in any other corporation or entity;

(xxxiii) revise a provision regarding certificates of stock;

(xxxiv) modify the indemnification provisions for the Company s officers, directors, employees and other persons;

(xxxv) designate the Eighth Judicial District Court of Clark County, Nevada as the exclusive forum for certain actions;

(xxxvi) add a provision regarding manner of notices to directors and shareholders;

(xxxvii) add a provision regarding waiver of notice of meetings;

(xxxviii) require the approval by an affirmative vote of not less than two-thirds of the Company s issued and outstanding shares for (A) the sale, transfer and other disposition of substantially all of the Company s properties and (B) a merger or consolidation of the Company;

(xxxix) require the approval of two-thirds of the directors present at a meeting at which a quorum is present for (A) any voluntary dissolution or liquidation of the Company; (B) the sale of all or substantially all of the assets of the Company and (C) the filing of a voluntary petition of bankruptcy by the Company;

(xl) add a provision that no director or officer of the Company shall be personally liable to the Company or any of its shareholders for damages for breach of fiduciary duty as a director or officer involving any act or omission of any such director or officer; provided, however, that the foregoing provision shall not eliminate or limit the liability of a director or officer (A) for acts or omissions which involve intentional misconduct, fraud or a knowing violation of the law, or (B) the payment of dividends in violation of Section 78.300 of the Nevada Revised Statutes; and

(xli) add a provision that any article, section, subsection, subdivision, sentence, clause, or phrase of the Amended and Restated Bylaws which is contrary to or inconsistent with any applicable provisions of law, shall not apply so long as said provisions of law shall remain in effect, but such result shall not affect the validity or applicability of any other portions of the Amended and Restated Bylaws.

The foregoing description of the amendments made in the Amended and Restated Bylaws does not purport to be complete and is qualified in its entirety by reference to the full text of the Amended and Restated Bylaws, a copy of which is attached hereto as Exhibit 3.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits

3.1 Amended and Restated Bylaws of Scio Diamond Technology Corporation, effective April 8, 2014.

SIGNATURE

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 hereunto duly authorized.

Scio Diamond Technology Corporation

Date: April 14, 2014

/s/ Michael McMahon
By: Michael McMahon
Its: Chief Executive Officer

Exhibit Index

Exhibit No.	Description
3.1	Amended and Restated Bylaws of Scio Diamond Technology Corporation, effective April 8, 2014.

-ALIGN: right">(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

U.S. Dollars in thousands (except share and per share data)

	Six months ended December 31,		Three months ended December 31,		Period from May 11, 2001 (Inception) through December 31,
	2010	2009	2010	2009	2010
Research and development expenses	$3,687	$2,803	$2,186	$1,447	$26,967
Less participation by the Office of the Chief Scientist	(1,111)	(989)	(608)	(500)	(6,183)
Research and development expenses, net	2,576	1,814	1,578	947	20,784
General and administrative expenses	2,002	1,645	1,246	875	22,513
Know how write-off	-	-	-	-	2,474
Operating loss	(4,578)	(3,459)	(2,824)	(1,822)	(45,771)
Financial expenses (income), net	(68)	(11)	(3)	9	(1,156)
Net loss for the period	$(4,510)	$(3,448)	$(2,821)	$(1,831)	$(44,615)
Loss per share:					
Basic and diluted net loss per share	$(0.20)	$(0.22)	$(0.11)	$(0.10)	
Weighted average number of shares used in computing basic and diluted net loss per share	22,954,736	15,984,227	24,897,022	17,449,256	

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

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PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional Paid-in	Receipts on Account of Common	Deficit Accumulated During the Development	Total Stockholders' Equity
	Shares	Amount	Capital	Stock	Stage	(Deficiency)
Issuance of common stock on July 9, 2001	175,500	$ (*)	$ 3	$ -	$ -	$ 3
Balance as of June 30, 2001	175,500	(*)	3	-	-	3
Net loss	-	-	-	-	(78)	(78)
Balance as of June 30, 2002	175,500	(*)	3	-	(78)	(75)
Issuance of common stock on October 14, 2002, net of issuance expenses of $17	70,665	(*)	83	-	-	83
Forgiveness of debt	-	-	12	-	-	12
Stock cancelled on March 19, 2003	(136,500)	(*)	(*)	-	-	-
Receipts on account of stock and warrants, net of finders and legal fees of $56	-	-	-	933	-	933
Net loss	-	-	-	-	(463)	(463)
Balance as of June 30, 2003	109,665	$ (*)	$ 98	$ 933	$ (541)	$ 490

(*) Less than $1.

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

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Receipts on Account of Common Stock	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficiency)
Balance as of July 1, 2003	109,665	$(*)	$98	$933	$ (541)	$ 490
Issuance of common stock on July 16, 2003, net of issuance expenses of $70	3,628	(*)	1,236	(933)	-	303
Issuance of common stock on January 20, 2004	15,000	(*)	-	-	-	(*)
Issuance of warrants on January 20, 2004 for finder's fee	-	-	192	-	-	192
Common stock granted to consultants on February 11, 2004	5,000	(*)	800	-	-	800
Stock based compensation related to warrants granted to consultants on December 31, 2003	-	-	358	-	-	358
Exercise of warrants on April 19, 2004	1,500	(*)	225	-	-	225
Net loss for the year	-	-	-	-	(2,011)	(2,011)
Balance as of June 30, 2004	134,793	$(*)	$2,909	$-	$ (2,552)	$ 357

(*) Less than $1.

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

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PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficiency)
Balance as of July 1, 2004	134,793	$ (*)	$ 2,909	$ (2,552)	$ 357
Stock-based compensation related to warrants granted to consultants on September 30, 2004	-	-	162	-	162
Issuance of common stock and warrants on November 30, 2004 related to the October 2004 Agreement net of issuance costs of $29	16,250	(*)	296	-	296
Issuance of common stock and warrants on January 26, 2005 related to the October 2004 Agreement net of issuance costs of $5	21,500	(*)	425	-	425
Issuance of common stock and warrants on January 31, 2005 related to the January 31, 2005 Agreement	35,000	(*)	-	-	(*)
Issuance of common stock and options on February 15, 2005 to former director of the Company	250	(*)	14	-	14
Issuance of common stock and warrants on February 16, 2005 related to the January 31, 2005 Agreement	25,000	(*)	-	-	(*)

(*) Less than $1.

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

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PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional	Deficit Accumulated During the	Total Stockholders' Equity
	Shares	Amount	Paid-in Capital	Development Stage	(Deficiency)
Issuance of warrants on February 16, 2005 for finder fee related to the January 31, 2005 Agreement	-	-	144	-	144
Issuance of common stock and warrants on March 3, 2005 related to the January 24, 2005 Agreement net of issuance costs of $24	60,000	(*)	1,176	-	1,176
Issuance of common stock on March 3, 2005 for finder fee related to the January 24, 2005 Agreement	9,225	(*)	(*)	-	-
Issuance of common stock and warrants on March 3, 2005 related to the October 2004 Agreement net of issuance costs of $6	3,750	(*)	69	-	69
Issuance of common stock and warrants to the Chief Executive Officer on March 23, 2005	12,000	(*)	696	-	696
Issuance of common stock on March 23, 2005 related to the October 2004 Agreement	1,000	(*)	20	-	20

(*) Less than $1.

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

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PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficiency)
	Shares	Amount			
Classification of a liability in respect of warrants to additional paid in capital, net of issuance costs of $ 178	-	-	542	-	542
Net loss for the year	-	-	-	(2,098)	(2,098)
Balance as of June 30, 2005	318,768	(*)	6,453	(4,650)	1,803
Exercise of warrants on November 28, 2005 to finders related to the January 24, 2005 agreement	400	(*)	-	-	-
Exercise of warrants on January 25 ,2006 to finders related to the January 25, 2005 Agreement	50	(*)	-	-	-
Reclassification of warrants from equity to liabilities due to application of ASC 815-40	-	-	(8)	-	(8)
Net loss for the year	-	-	-	(2,439)	(2,439)
Balance as of June 30, 2006	319,218	$(*)	$6,445	$ (7,089)	$ (644)

(*) Less than $1.

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

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PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Receipts on Account of Common Stock	Accumulated Other Comprehensive Loss	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
Balance as of July 1, 2006	319,218	$(*)	$6,445	$-	$ -	$ (7,089)	$ (644)
Conversion of convertible debenture, net of issuance costs of $440	1,019,815	(*)	1,787	-	-	-	1,787
Classification of a liability in respect of warrants	-	-	360	-	-	-	360
Classification of deferred issuance expenses	-	-	(379)	-	-	-	(379)
Classification of a liability in respect of options granted to non-employees consultants	-	-	116	-	-	-	116
Compensation related to options granted to employees and directors	-	-	2,386	-	-	-	2,386
Compensation related to options granted to non-employee consultants	-	-	938	-	-	-	938
Exercise of warrants related to the April 3, 2006 agreement net of issuance costs of $114	75,692	(*)	1,022	-	-	-	1,022

(*) Less than $1.

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

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PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Receipts on Account of Common Stock	Accumulated Other Comprehensive Loss	Deficit Accumulated During the Development Stage	Total Stockholders' Equity	Total Comprehensive Loss
Cashless exercise of warrants related to the April 3, 2006 agreement	46,674	(*)	(*)	-	-	-	-	
Issuance of common stock on May and June 2007 related to the May 14, 2007 agreement, net of issuance costs of $64	3,126,177	(*)	7,751	-	-	-	7,751	
Receipts on account of shares	-	-	-	368	-	-	368	
Cashless exercise of warrants related to the May 14, 2007 issuance	366,534	(*)	(*)	-	-	-	-	
Issuance of warrants to investors related to the May 14, 2007 agreement	-	-	651	-	-	-	651	
Unrealized loss on available for sale securities	-	-	-	-	(30)	-	(30)	$ (30)
Net loss for the year	-	-	-	-	-	(8,429)	(8,429)	(8,429)
Balance as of June 30, 2007	4,954,110	$ (*)	$ 21,077	$ 368	$ (30)	$ (15,518)	$ 5,897	-
Total comprehensive loss								$ (8,459)

(*) Less than $1.

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

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PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Receipts on Account of Common Stock	Accumulated Other Comprehensive Loss	Deficit Accumulated During the Development Stage	Total Stockholders' Equity	Total Comprehensive Loss
Balance as of July 1, 2007	4,954,110	$ (*)	$ 21,077	$ 368	$ (30)	$ (15,518)	$ 5,897	
Issuance of common stock related to investors relation agreements	69,500	(*)	275	-	-	-	275	
Issuance of common stock in July 2007 - June 2008 related to the May 14, 2007 Agreement	908,408	(*)	2,246	(368)	-	-	1,878	
Cashless exercise of warrants related to the May 14, 2007 Agreement	1,009,697	(*)	(*)	-	-	-	-	
Compensation related to options granted to employees and directors	-	-	4,204	-	-	-	4,204	
Compensation related to options granted to non–employees consultants	-	-	543	-	-	-	543	
Realized loss on available for sale securities	-	-	-	-	30	-	30	$ 30
Net loss for the year	-	-	-	-	-	(10,498)	(10,498)	(10,498)
Balance as of June 30, 2008	6,941,715	$ (*)	$ 28,345	$ -	$ -	$ (26,016)	$ 2,329	
								$ (10,468)

Total comprehensive loss

(*) Less than $1.

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

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
Balance as of July 1, 2008	6,941,715	$(*)	$28,345	$ (26,016)	$ 2,329
Issuance of common stock related to investor relations agreements	171,389	(*)	133	-	133
Issuance of common stock and warrants related to the August 6, 2008 agreement, net of issuance costs of $125	1,391,304	(*)	1,475	-	1,475
Issuance of common stock and warrants related to the September 2008 agreement, net of issuance costs of $62	900,000	(*)	973	-	973
Issuance of common stock and warrants in November 2008 -January 2009, net of issuance costs of $39	1,746,575	(*)	660	-	660
Issuance of common stock and warrants related to the January 20, 2009 agreement, net of issuance costs of $5	216,818	(*)	90	-	90
Issuance of common stock and warrants related to the January 29, 2009 agreement, net of issuance costs of $90	969,826	(*)	1,035	-	1,035
Issuance of common stock and warrants related to the May 5, 2009 agreement, net of issuance costs of $104	888,406	(*)	1,229	-	1,229
Compensation related to options granted to employees and directors	-	-	1,315	-	1,315
Compensation related to options and warrants granted to non–employee consultants	-	-	97	-	97
Compensation related to restricted stock granted to employees and directors	427,228	(*)	642	-	642

(*) Less than $1.

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

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
Compensation related to restricted stock granted to non–employee consultants	23,625	(*)	52	-	52
Net loss for the period	-	-	-	(6,636)	(6,636)
Balance as of June 30, 2009	13,676,886	$(*)	$36,046	$ (32,652)	$ 3,394

(*) Less than $1.

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

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. Dollars in thousands (except share and per share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
Balance as of July 1, 2009	13,676,886	$(*)	$36,046	$ (32,652)	$ 3,394
Issuance of common stock and warrants related to November 2008 through January 2009 agreements (on July 2009)	1,058,708	(*)	794	-	794
Issuance of common stock and warrants related to October 2009 agreements, net of issuance costs of $242	2,702,822	(*)	2,785	-	2,785
Issuance of common stock and warrants related to April 2010 agreements, net of issuance costs of $54	2,393,329	(*)	2,627	-	2,627
Issuance of common stock related to investor relations agreements	1,929	(*)	13	-	13
Exercise of options by employee	3,747	(*)	2	-	2
Compensation related to options granted to employees and directors	-	-	211	-	211
Compensation related to options and warrants granted to non–employee consultants	-	-	161	-	161
Compensation related to restricted stock and restricted stock units granted to employees and directors	981,586	(*)	1,357	-	1,357
Compensation related to restricted stock and restricted stock units granted to non–employee consultants	69,774	(*)	90	-	90
Net loss for the period	-	-	-	(7,453)	(7,453)
Balance as of June 30, 2010	20,888,781	$(*)	$44,086	$ (40,105)	$ 3,981

(*) Less than $1.

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

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY) (UNAUDITED)

U.S. Dollars in thousands (except share and per share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
Balance as of July 1, 2010	20,888,781	$ (*)	$ 44,086	$ (40,105)	$ 3,981
Issuance of common stock and warrants related to October 2010 agreements, net of issuance costs of $244	4,375,000	(*)	5,006	-	5,006
Exercise of options by employee	5,000	(*)	5	-	5
Receipts on account of exercise of warrants	-	(*)	12	-	12
Issuance of common stock related to investor relations agreements	60,000	(*)	78		78
Compensation related to options granted to employees and directors	-	-	7	-	7
Compensation related to options and warrants granted to non–employee consultants	-	-	18	-	18
Compensation related to restricted stock and restricted stock units granted to employees and directors	1,070,752	(*)	1,238	-	1,238
Compensation related to restricted stock and restricted stock units granted to non–employee consultants	90,371	(*)	148	-	148
Net loss for the period	-	-	-	(4,510)	(4,510)
Balance as of December 31, 2010	26,489,904	$ (*)	$ 50,598	$ (44,615)	$ 5,983

(*) Less than $1.

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

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PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. Dollars in thousands

	Six months ended December 31, 2010	Six months ended December 31, 2009	Period from May 11, 2001 (inception) Through December 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(4,510)	$(3,448)	$(44,615)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	144	97	896
Capital loss	8	-	12
Impairment of property and equipment	-	-	54
Know-how write-off	-	-	2,474
Amortization of deferred issuance costs	-	-	604
Stock-based compensation to employees and directors	1,245	695	11,360
Stock-based compensation to non-employees consultants	219	150	2,768
Stock compensation to investor relations consultants	78	32	1,291
Know-how licensors – imputed interest	-	-	55
Salary grant in shares and warrants	-	-	711
Decrease (increase) in other accounts receivable	317	394	(475)
Decrease (increase) in prepaid expenses	(15)	28	34
Increase in trade payables	254	86	843
Increase in other accounts payable and accrued expenses	34	67	19
Increase in interest receivable on short-term deposit	15	-	-
Increase in accrued interest due to related parties	-	-	3
Linkage differences and interest on long-term restricted lease deposit	(3)	2	(4)
Change in fair value of liability in respect of warrants	-	-	(2,696)
Fair value of warrants granted to investors	-	-	651
Amortization of discount and changes in accrued interest on convertible debentures	-	-	128
Amortization of discount and changes in accrued interest from marketable securities	-	-	(9)
Loss from sale of investments of available-for-sale marketable securities	-	-	106
Impairment and realized loss on available-for-sale marketable securities	-	-	372
Accrued severance pay, net	(5)	(5)	61

Net cash used in operating activities	$(2,219)	$(1,902)	$(25,357)

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

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. Dollars in thousands

	Six months ended December 31, 2010	2009	Period from May 11, 2001 (inception) through June 30, 2010
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of Pluristem Ltd. (1)	$-	$-	$32
Purchase of property and equipment	(560)	(124)	(2,554)
Investment in short-term deposits	-	(2,500)	(2,500)
Repayment of short-term deposits	898	-	2,500
Proceeds from sale of property and equipment	28	-	60
Investment in long-term deposits	(12)	(7)	(241)
Repayment of long-term restricted deposit	13	-	80
Purchase of available for sale marketable securities	-	-	(3,784)
Proceeds from sale of available for sale marketable securities	-	-	3,314
Purchase of know-how	-	-	(2,062)
Net cash provided by (used in) investing activities	367	(2,631)	(5,155)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock and warrants, net of issuance costs	$5,015	$3,579	$32,360
Exercise of warrants and options	17	2	1,041
Issuance of convertible debenture	-	-	2,584
Issuance expenses related to convertible debentures	-	-	(440)
Repayment of know-how licensors	-	-	(300)
Repayment of notes and loan payable to related parties	-	-	(70)
Proceeds from notes and loan payable to related parties	-	-	78
Receipt of long-term loan	-	-	49
Repayment of long-term loan	(24)	(4)	(51)
Net cash provided by financing activities	5,008	3,577	35,251
Increase (decrease) in cash and cash equivalents	3,156	(956)	4,739
Cash and cash equivalents at the beginning of the period	1,583	2,339	-
Cash and cash equivalents at the end of the period	$4,739	$1,383	$4,739

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

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. Dollars in thousands

	Six months ended December 31, 2010	2009	Period from May 11, 2001 (inception) through December 31, 2010
(a) Supplemental disclosure of cash flow activities:			
Cash paid during the period for:			
Taxes paid due to non-deductible expenses	$7	$1	$61
Interest paid	$-	$1	$18
(b) Supplemental disclosure of non-cash activities:			
Classification of liabilities and deferred issuance expenses into equity	$-	$-	$97
Conversion of convertible debenture	$-	$-	$2,227
Purchase of property and equipment in credit	$73	$43	$73
Issuance of shares in consideration of accounts receivable	$243	$-	$243
(1) Acquisition of Pluristem Ltd.			
Fair value of assets acquired and liabilities assumed at the acquisition date:			
Working capital (excluding cash and cash equivalents)			$(427)
Long-term restricted lease deposit			19
Property and equipment			130
In-process research and development write-off			246
			$(32)

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

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 1:-GENERAL

a. Pluristem Therapeutics Inc., a Nevada corporation, was incorporated and commenced operations on May 11, 2001, under the name A. I. Software Inc. which was changed as of June 30, 2003 to Pluristem Life Systems Inc. On November 26, 2007, its name was changed to Pluristem Therapeutics Inc. Pluristem Therapeutics Inc. has a wholly owned subsidiary, Pluristem Ltd. (“the Subsidiary”), which is incorporated under the laws of Israel. Pluristem Therapeutics Inc. and its Subsidiary are referred to as "the Company".

b. The Company is devoting substantially all of its efforts towards conducting research and development of adherent stromal cells production technology and the commercialization of cell therapy products. Accordingly, the Company is considered to be in the development stage, as defined in Accounting Standards Codification TM (“ASC”) 915. In the course of such activities, the Company has sustained operating losses and expects such losses to continue in the foreseeable future. The Company has not generated any revenues or product sales and has not achieved profitable operations or positive cash flows from operations. The Company's accumulated losses during the development stage aggregated to $44,615 through December 31, 2010 and the Company incurred net loss of $4,510 and negative cash flow from operating activities in the amount of $2,219 for the six months ended December 31, 2010. There is no assurance that profitable operations, if ever achieved, could be sustained on a continuing basis.

The Company plans to continue to finance its operations with sales of equity securities and research and development grants. On February 1, 2011, the Company closed a public offering of shares and warrants in net consideration of approximately $38,000 (also see note 4(b)). In the longer term, the Company plans to finance its operations from revenues from product sales or licensing of its technology.

c. Since December 10, 2007, the Company’s shares of common stock have been traded on the NASDAQ Capital Market under the symbol PSTI. The shares were previously traded on the OTC Bulletin Board under the trading symbol “PLRS.OB”. On May 7, 2007, the Company’s shares also began trading on Europe’s Frankfurt Stock Exchange, under the symbol PJT.

On December 19, 2010, the Company’s shares began trading on Tel-Aviv Stock Exchange, under the symbol PLTR.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

A. The accompanying unaudited interim financial statements of Pluristem Therapeutics Inc., a development stage company, have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s latest Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements that would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year as reported in the Company’s Annual Report on Form 10-K have been omitted.

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PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

B. Impact of recently issued accounting standards:

In July 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2010-20 "ASU 2010-20" Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses". ASU 2010-20 is an update of Accounting Standards Codification Topic 310, Receivables. This update requires enhanced disclosures on a disaggregated basis about the nature of the credit risk inherent in the portfolio of financing receivables; how that risk is analyzed and assessed in arriving at the allowance for credit losses; and the changes and reasons for those changes in the allowance for credit losses.

The disclosures required under ASU 2010-20 as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The adoption of the update does not have a material impact on the Company's financial condition or results of operations.

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS

a. On December 22, 2009, the Company's authorized common stock was increased from 30,000,000 shares with a par value of $0.00001 per share to 100,000,000 shares with a par value of $0.00001 per share. All shares have equal voting rights and are entitled to one vote per share in all matters to be voted upon by stockholders. The shares have no pre-emptive, subscription, conversion or redemption rights and may be issued only as fully paid and non-assessable shares. Holders of the common stock are entitled to equal ratable rights to dividends and distributions with respect to the common stock, as may be declared by the Board of Directors out of funds legally available.

On July 1, 2008, the authorized share capital of the Company was increased by authorizing 10,000,000 shares of preferred stock, par value $0.00001 each, with series, rights, preferences, privileges and restrictions as may be designated from time to time by the Company's Board of Directors. No shares of preferred stock have been currently issued.

b. On July 9, 2001, the Company issued 175,500 shares of common stock in consideration for $2.50, which was received on July 27, 2001.

c. On October 14, 2002, the Company issued 70,665 shares of common stock at a price of approximately $1.40 per common share in consideration for $100 before issuance costs of $17. On March 19, 2003, two directors each returned 68,250 shares of common stock with a par value of $2.00 per share, for cancellation, for no consideration.

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

d. In July 2003, the Company issued an aggregate of 3,628 units comprised of 3,628 shares of common stock and 7,256 warrants to a group of investors, for total consideration of $1,236 (net of issuance costs of $70), under a private placement. The consideration was paid partly in the year ended June 30, 2003 ($933) and the balance was paid in the year ended June 30, 2004.

In this placement each unit was comprised of one share of common stock and two warrants, the first warrant was exercisable within a year from the date of issuance for one share of common stock at a price of $450 per share. The second warrant is exercisable within five years from the date of issuance for one share of common stock at a price of $540 per share. All the warrants expired unexercised.

e. On January 20, 2004, the Company consummated a private equity placement with a group of investors (the “Investors”). The Company issued 15,000 units in consideration for net proceeds of $1,273 (net of issuance costs of $227). Each unit is comprised of 15,000 shares of common stock and 15,000 warrants. Each warrant is exercisable into one share of common stock at a price of $150 per share, and may be exercised until January 31, 2007. On March 18, 2004, a registration statement on Form SB-2 was declared effective and the above-mentioned common stock was registered for re-sale. If the effectiveness of the Registration Statement is suspended subsequent to the effective date of registration (March 18, 2004), for more than certain permitted periods, as described in the private equity placement agreement, the Company shall pay penalties to the Investors in respect of the liquidated damages.

According to ASC 815-40, the Company classified the warrants as liabilities according to their fair value as remeasured at each reporting period until exercised or expired. Changes in the fair value of the warrants were reported in the statements of operations as financial income or expense.

The Company allocated the gross amount received of $1,500 to the par value of the shares issued ($0.03) and to the liability in respect of the warrants issued ($1,499.97). The amount allocated to the liability was less than the fair value of the warrants at grant date. On January 31, 2007 all the warrants expired unexercised.

In addition, the Company issued 1,500 warrants to finders in connection with this private placement, exercisable into 1,500 common shares at a price of $150 per common share until January 31, 2007. The fair value of the warrants issued in the amounts of $192 was recorded as deferred issuance costs and is amortized over a period of three years. On April 19, 2004, the finders exercised the warrants.

f. In October 2004, the Company consummated a private placement offering (“the October 2004 Agreement”) pursuant to which it issued 42,500 units. Each unit is comprised of one share of common stock and one warrant. The warrant is exercisable for one common stock at an exercise price of $60 per share, subject to certain adjustments. The units were issued as follows:

In November 2004, the Company issued according to the October 2004 Agreement 16,250 units comprised of 16,250 shares of common stock and 16,250 warrants to a group of investors, for total consideration of $296 (net of cash issuance costs of $29), and additional 600 warrants to finders as finders’ fees.

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U.S. Dollars in thousands (except per share amounts)

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

f. (cont.)

In January 2005, the Company issued according to the October 2004 Agreement an additional 21,500 units for total consideration of $425 (net of cash issuance costs of $5), and additional 450 warrants were issued to finders as finders' fees.

In March 2005, the Company issued according to the October 2004 Agreement additional 3,750 units for total consideration of $69 (net of cash issuance costs of $6), and additional 175 warrants were issued to finders as finders' fees.

In March 2005, the Company issued according to the October 2004 Agreement 1,000 common shares and 1,000 share purchase warrants to one investor for total consideration of $20 which was paid to the Company in May 2005.

On November 30, 2006, all the warrants expired unexercised.

g. On January 24, 2005, the Company consummated a private placement offering (the "January 24, 2005 Agreement") which was closed on March 3, 2005 and issued 60,000 units in consideration for $1,176 (net of cash issuance costs of $24). Each unit is compromised of one share of common stock and one warrant. The warrant is exercisable for one share of common stock at a price of $60 per share. On November 30, 2006, all the warrants expired unexercised. Under this agreement the Company issued to finders 9,225 shares and 2,375 warrants with exercise price of $500 per share exercisable until November 2007. On November 30, 2007, 1,925 unexercised warrants expired.

h. On January 31, 2005, the Company consummated a private equity placement offering (the "January 31, 2005 Agreement") with a group of investors according to which it issued 60,000 units in consideration for net proceeds of $1,137 (net of issuance costs of $63). Each unit is comprised of one share of common stock and one warrant. Each warrant is exercisable into one share of common stock at a price of $60 per share. The January 31, 2005 Agreement includes a finder's fee of a cash amount equal to 5% of the amount invested ($60) and issuance of warrants for number of shares equal to 5% of the number of shares that were issued (3,000) with an exercise price of $20 per share, subject to certain adjustments, exercisable until November 30, 2006.

According to ASC 815-40, the Company classified the warrants as liabilities according to their fair value as remeasured at each reporting period until exercised or expired. Changes in the fair value of the warrants will be reported in the statements of operations as financial income or expense.

As of the date of the issuance, the Company allocated the gross amount received of $1,200 to the par value of the shares issued ($0.12) and to the liability in respect of the warrants issued ($1,200). Issuance expenses in the amount of $63 and finder's fee in the amount of $144 were recorded as deferred issuance costs. The amount allocated to the liability was less than the fair value of the warrants at grant date. On May 13, 2005, the Registration Statement became effective and the Company was no longer subject to possible penalties. As such, the liability and the deferred issuance costs related to the agreement has been classified to the Stockholders Equity as Additional Paid in Capital. As of May 13, 2005, the fair value of the liability in respect of the warrants issued was $720 and the amount of the deferred issuance costs was $178.

On November 30, 2006, all the warrants expired unexercised.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

i. On March 23, 2005, the Company issued 12,000 shares of common stock and 12,000 options as a bonus to the then Chief Executive Officer, Dr. Shai Meretzki, in connection with the issuance of a Notice of Allowance by the United States Patent Office for patent application number 09/890,401. Salary expenses of $696 were recognized in respect of this bonus based on the quoted market price of the Company's stock and the fair value of the options granted using the Black–Scholes valuation model. On November 30, 2006, all the warrants expired unexercised.

j. On February 11, 2004, the Company issued an aggregate amount of 5,000 shares of common stock to a consultant and service provider as compensation for carrying out investor relations activities during the year 2004. Total compensation, measured as the grant date fair market value of the stock, amounted to $800 and was recorded as an operating expense in the statement of operations in the year ended June 30, 2004.

k. On November 28, 2005, 400 warrants, which were issued to finders as finder fees related to the January 24, 2005 Agreement, were exercised.

l. On January 25, 2006, 50 warrants, which were issued to finders as finder fees related to the January 24, 2005 Agreement, were exercised.

m. Convertible Debenture

On April 3, 2006, the Company issued Senior Secured Convertible Debentures (the "Debentures"), for gross proceeds of $3,000. In conjunction with this financing, the Company issued 236,976 warrants exercisable for three years at an exercise price of $15.00 per share. The Company paid a finder's fee of 10% in cash and issued 47,394 warrants exercisable for three years, half of which are exercisable at $15.00 and half of which are exercisable at $15.40 per share. The Company also issued 5,000 warrants in connection with the separate finder's fee agreement related to the issuance of the debenture exercisable for three years at an exercise price of $15.00 per share.

a. Interest accrued on the Debentures at the rate of 7% per annum, was payable semi-annually on June 30 and December 31 of each year and on conversion and at the maturity date. Interest was payable, at the option of the Company, either (1) in cash, or (2) in shares of common stock at the then applicable conversion price. If the Company failed to deliver stock certificates upon the conversion of the Debentures at the specified time and in the specified manner, the Company was required to make substantial payments to the holders of the Debentures.

b. The warrants, issued as of April 3, 2006, become first exercisable on the 65th day after issuance. Holders of the warrants were entitled to exercise their warrants on a cashless basis following the first anniversary of issuance if the Registration Statement is not in effect at the time of exercise.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

m. Convertible Debenture (Cont.):

In accordance with ASC 815-40, the Company allocated the consideration paid for the convertible debenture and the warrants as follows:

The warrants were recorded as a liability based on their fair value in the amount of $951 at grant date. The Company estimated the fair value of the warrants using a Black-Scholes option pricing model, with the following assumptions: volatility of 83%, risk free interest rate of 4.8%, dividend yield of 0%, and an expected life of 36 months. Changes in the fair value are recorded as interest income or expense, as applicable.

The fair value of the conversion feature of the debentures at grant date, in the amount of $1,951 was recorded as a liability.

The balance of the consideration, in the amount of $97, was allocated to the debentures. The discount in the amount of $2,903 was amortized according to the effective rate interest method over the debentures contractual period (24 months).

The fair value of the warrants issued as a finder's fee and the finder's fee in cash amounted to $535 and were recorded as deferred issuance expenses and are amortized over the Debentures' contractual period. The Company estimated the fair value of the warrants using a Black - Scholes option pricing model, with the following assumptions: volatility of 83%, risk free interest rate of 4.8%, dividend yield of 0%, and an expected life of 36 months.

According to ASC 815-40, in order to classify warrants and options (other than employee stock options) as equity and not as liabilities, the Company should have sufficient authorized and unissued shares of common stock to provide for settlement of those instruments that may require share settlement. Under the terms of the Debentures, the Company may be required to issue an unlimited number of shares to satisfy the debenture's contractual requirements. As such, on April 3, 2006, the Company's warrants and options (other than employee stock options) were classified as liabilities and measured at fair value with changes recognized currently in earnings.

As of November 9, 2006, all of the Debentures, were converted into 969,815 shares. As a result, an amount of $1,787 was reclassified into common stock and additional paid-in capital as follows: from conversion of the feature embedded in convertible debenture ($1,951), convertible debenture ($202), accrued interest ($74) net of issuance expenses in the amount of $440. In addition, the warrants and options to consultants in the amount of $476 and deferred issuance expenses in the amount of $379 were reclassified as equity.

Pursuant to an investor relations agreement dated April 28, 2006, the Company paid in cash an amount of $440 on October 19, 2006 and issued 50,000 common shares on November 9, 2006 to certain service providers following reaching certain milestones regarding the conversion of the Debentures as agreed to by the parties.

During the year ended June 30, 2007, 186,529 of the warrants which were issued on April 3, 2006, were exercised. 75,692 warrants were exercised into shares in consideration for $1,022 (net of cash exercise costs of $114), and 110,836 warrants were exercised cashless into 46,674 shares. On April 30, 2009, the rest of the warrants expired unexercised.

U.S. Dollars in thousands (except per share amounts)

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

n. On May 14, 2007, the Company consummated a private equity placement with a group of investors for an equity investment ("May 2007 Agreement"). The Company sought a minimum of $7,000 and up to a maximum of $13,500 for shares of the Company's common stock at a per share price of $2.50, and warrants to purchase shares at an exercise price of $5.00 exercisable until five years after the closing date of the agreement.

In May 2007, under the May 2007 Agreement, the Company issued 3,126,177 shares of the Company's common stock and 3,126,177 warrants to purchase the Company's common stock in consideration for $7,751 (net of cash issuance costs of $64).

During July and August 2007, under the May 2007 Agreement, the Company issued additional 273,828 shares of the Company's common stock and 273,828 warrants to purchase the Company's common stock in consideration for $685. The consideration was paid partly prior to the issuance of the shares in the year ended June 30, 2007 ($368) and was recorded as receipts on account of shares and the balance was paid during July and August 2007.

As part of May 2007 Agreement, the Company signed an escrow agreement according to which the Company granted an option to an investor to invest, under the same conditions defined in the May 2007 Agreement, up to $5,000 which will be paid in monthly installments over 10 months starting six months subsequent to the closing date. According to the agreement, in the event that the investor fails to make any of the payments within five days of the payment due date, the option to invest the remaining amount will be cancelled. As a result of this agreement, the Company issued 634,580 shares of the Company's common stock and 634,580 warrants to purchase the Company's common stock in consideration for $1,561 (net of cash issuance costs of $25). As of March 31, 2008 the option was cancelled.

The total proceeds related to the May 2007 Agreement accumulated as of June 30, 2008 were $9,997 (net of cash issuance costs of $89), and 4,034,585 shares and 4,034,585 warrants were issued.

In connection with the May 2007 Agreement, the Company issued 275,320 warrants to finders as finders' fee. The warrants are exercisable for five years from the date of grant at an exercise price of $2.50 per share.

During 2008 and 2007, 1,361,818 and 500,000 warrants related to the May 2007 Agreement were exercised on a cashless basis for 1,009,697 shares of stock and 366,534 shares of stock, respectively.

o. The Company issued 28,398 warrants to the investors related to the May 2007 Agreement as compensation to investors who delivered the invested amount prior to the closing date of the placement. The warrants are exercisable for five years at an exercise price of $2.50 per share. The Company recorded the fair value of the warrants as financial expenses in the amount of $651 in the year ended June 30, 2007. The fair value of these warrants was determined using the Black-Scholes pricing model, assuming a risk free rate of 4.8%, a volatility factor of 128%, dividend yield of 0% and expected life of five years.

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PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

p. In the May 2007 Agreement, there is a provision that requires the Company for a period of four years (subject to acceleration under certain circumstances) not to sell any of the Company's common stock for less than $0.0125 per share (pre-split price). The May 2007 Agreement provides that any sale below that price must be preceded by consent from each purchaser in the placement.

Since that date, the Company had effected a one-for-200 reverse stock split. The Company decided to proceed and enter into additional security purchase agreements notwithstanding this provision for the following reasons:

- The agreement does not contain any provisions for the adjustment of the specified minimum price in the event of stock splits and the like. If such agreement were to have contained such a provision, the floor price would be $2.50.

- The majority of purchasers in the private placement have sold the stock purchased in the placement, and thus the number of purchasers whose consent is purportedly required has been substantially reduced. The number of shares outstanding as to which this provision currently applies according the information supplied by transfer agent is 2 million shares.

- An agreement that prevents the Company's Board of Directors from issuing shares that are necessary to finance the Company's business may be unenforceable.

It is unclear what could be the consequences of a court decision that the issuance of shares below $2.50 per share violates the May 2007 Agreement.

In connection therewith, the Company approved the issuance of warrants to purchase up to 161,724 shares of its common stock to each of the investors who was a party to the May 2007 Agreement that held shares purchased pursuant to such agreement, as of August 6, 2008, conditioned on having the investors execute a general release pursuant to which the Company will be released from liability including, but not limited to, any claims, demands, or causes of action arising out of, relating to, or regarding sales of certain equity securities notwithstanding the above mentioned provision. As of December 31, 2010 the Company received a general release from some of the investors, and issued them warrants to purchase 105,583 shares of its common stock. On November 9, 2010, all of such warrants expired unexercised.

q. On August 6, 2008, the Company sold 1,391,304 shares of the Company's common stock and warrants to purchase 695,652 shares of common stock at an exercise price of $1.90 to two investors in consideration of $1,600 pursuant to terms of a securities purchase agreement. The placement agent received a placement fee equal to 6% of the gross purchase price of the Units (excluding any consideration that may be paid in the future upon exercise of the warrants) as well as warrants to purchase 83,478 shares of common stock at an exercise price of $1.44 per share. The warrants will be exercisable after six months from the closing date through and including August 5, 2013. Total cash issuance costs related to this placement amounted to $125.

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U.S. Dollars in thousands (except per share amounts)

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

r. On September 22, 2008, the Company sold 900,000 shares of the Company's common stock and warrants to purchase 675,000 shares of common stock to an investor in consideration for $1,035 pursuant to terms of a securities purchase agreement. The price per share of common stock was $1.15, and the exercise price of the warrants is $1.90. The warrants will be exercisable for a period of five years. As part of this transaction, the Company paid a transaction fee to the finders equal to 6% of the actual purchase price and warrants exercisable for five years at an exercise price of $1.50 per share to purchase 54,000 of the Company's shares of common stock. Total cash issuance costs related to this placement amounted to $62.

s. From November 2008 through January 2009, the Company entered into a securities purchase agreement with investors, pursuant to which the Company sold 1,746,575 shares of its common stock at a price of $0.40 per share, for an aggregate purchase price of $699, and issued warrants to purchase up to an additional 1,746,575 shares of common stock with an exercise price of $1.00 per share. The warrants will be exercisable after six months from the closing date and will expire after five years. Pursuant to the agreement, the investors have the option, by notice to the Company no later than 10 business days following the release of an official announcement by the Company that it is initiating its first human clinical trials, to purchase an additional 931,507 shares of common stock at a purchase price of $0.75 per share, for an aggregate purchase price of $699, and receive therewith warrants to purchase up to an additional 931,507 shares of common stock with an exercise price of $1.50 per share.

The issuance costs include $39 in cash and warrants exercisable for five years at an exercise price of $1.00 per share to purchase 96,579 of the Company's shares of common stock.

t. On January 20, 2009, the Company sold 216,818 shares of its common stock and warrants to purchase 216,818 shares of common stock to investors in consideration for $95 pursuant to terms of a securities purchase agreement. The price per share of common stock is $0.44, and the exercise price of the warrants is $1.00 per share. The warrants will be exercisable after six months from the closing date and will expire after five years. Pursuant to the agreement, the investors have the option, by notice to the Company no later than 10 business days following the release of an official announcement by the Company that it is initiating its first human clinical trials, to purchase an additional 127,200 shares of common stock at a purchase price of $0.75 per share, for an aggregate purchase price of $95, and receive therewith warrants to purchase up to an additional 127,200 shares of common stock with an exercise price of $1.50 per share (the "January 20 Option"). The January 20 Option is exercisable within six months from the closing date. As part of this transaction, the Company paid a transaction fee to finders in an amount of $5 in cash and issued them warrants exercisable for two years at an exercise price of $1.00 per share to purchase 12,273 shares of the Company's common stock.

u. On January 29, 2009, the Company entered into a subscription agreement with certain investors, pursuant to which the Company sold to such investors 969,826 units, each unit consisting of one share of common stock and a warrant to purchase one of the Company's share of common stock ("Unit"). The purchase price per Unit was $1.16 and the aggregate purchase price for the said Units was approximately $1,125. The warrants are exercisable 181 days following the issuance thereof for a period of five years thereafter at an exercise price of $1.90 per share. The Company paid a transaction fee to finders in an amount of $90 in cash and issued them warrants exercisable after six months for five years at an exercise price of $1.90 per share to purchase 80,983 shares of the Company’s common stock.

U.S. Dollars in thousands (except per share amounts)

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

v. On May 5, 2009, the Company entered into securities purchase agreements with two investors pursuant to which the Company sold 888,406 shares of its common stock and warrants to purchase 488,623 shares of common stock in consideration for $1,333. The exercise price of the warrants is $1.96 per share and they will be exercisable for a period of five years commencing six months following the issuance thereof.

The Company paid a transaction fee to finders in an amount of $104 in cash and issued them warrants exercisable after six months for five years at an exercise price of $1.875 per share to purchase 53,304 shares of the Company's common stock.

w. On July 7, 2009, the Company announced that the first patient has been enrolled in a Phase I clinical trial of its PLX-PAD product. Upon the occurrence of such event, certain investors had an option from prior agreements from November 2008 through January 2009 to purchase additional shares and warrants. Accordingly, certain investors purchased in July 2009, 1,058,708 shares of common stock at a purchase price of $0.75 per share, for an aggregate purchase price of $794, and warrants to purchase up to an additional 1,058,708 shares of common stock with an exercise price of $1.50 per share. The warrants are exercisable for a period of 4 years and six months commencing six months following the issuance.

x. On October 12, 2009, certain institutional investors purchased 2,702,822 shares of the Company's common stock and warrants to purchase 1,081,129 shares of common stock. The price per share of common stock was $1.12, and the exercise price of the warrants was $1.60 per share. The warrants will be exercisable for a period of five years commencing six months following the issuance thereof. The gross proceeds received from this offering were approximately $3,027. Total cash costs related to this placement amounted to $242.

y. On April 27, 2010, the Company closed a private placement pursuant to which it sold to certain investors 2,393,329 shares of common stock and warrants to purchase 717,999 shares of common stock and 717,999 shares of common stock, at exercise prices per share of $1.25 (the "$1.25 Warrants") and $1.40 (the "$1.40 Warrants"), respectively. The price per share of common stock was $1.12. The aggregate gross proceeds from the sale of the common stock and the warrants were $2,681. The warrants are exercisable six months following the issuance thereof, for a period of two and a half years and five years thereafter for the $1.25 Warrants and the $1.40 Warrants, respectively.

The Company paid a transaction fee to finders in an amount of $54 in cash and issued them warrants exercisable at an exercise price of $1.12 per share to purchase 146,144 shares of the Company's common stock.

z. On October 18, 2010, the Company closed a private placement, pursuant to which the Company sold 4,375,000 shares of the Company's common stock at a price of $1.20 per share and warrants to purchase 2,625,000 shares of common Stock, at an exercise price per share of $1.80. No separate consideration was paid for the warrants. The warrants have a term of four years and are exercisable starting six months following the issuance thereof. The aggregate gross proceeds from the sale of the shares and the warrants were $5,250.

The Company paid a transaction fee to finders in an amount of $244 in cash and issued them warrants to purchase 151,050 shares of the Company’s common stock.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

z. (Cont.):

In connection with the purchase agreements, the Company agreed to file a resale registration statement with the Securities and Exchange Commission covering the shares and the shares of common stock issuable upon the exercise of the warrants within 60 days from closing. The registration statement was filed and on December 10, 2010 it became effective.

aa. The following table summarizes the issuance of shares of common stock to the Company's investor relations consultants as compensation for their services since July 1, 2007.

Period of service	Number of shares issued	Fair market value of the shares issued at the issuance date	Expenses in the statements of operations for the Year ended June 30, 2008	2009	2010	Six months ended December 31, 2010
July – December 2007	10,000	$ 149	$ 149	$ -	$ -	$ -
February – July 2008	7,500	18	18	-	-	-
March - September 2008	3,500	8	6	2	-	-
April – June 2008	50,000	102	102	-	-	-
July 2008 – June 2009	16,129	10	-	10	-	-
July –September 2008	40,000	46	-	46	-	-
October 2008	750	1	-	1	-	-
October 2008	20,000	12	-	12	-	-
December 2008 – November 2009	50,000	24	-	14	10	-
February – July 2009	9,510	12	-	12	-	-
February – April 2009	30,000	32	-	32	-	-
April 2009	3,500	4	-	4	-	-
July 2009	1,929	3	-	-	3	-
July – December 2010	60,000	78	-	-	-	78
Total	302,818	$ 499	$ 275	$ 133	$ 13	$ 78

The issuance of shares to the consultants was in some cases in addition to cash compensation the consultants were entitled to.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

bb. Options, warrants, restricted stock and restricted stock units to employees, directors and consultants:

The Company has approved two incentive option plans from 2003 and from 2005 (the “2003 Plan" and the “2005 Plan”, and collectively, the “Plans”). Under these Plans, options, restricted stock and restricted stock units (the “Awards”) may be granted to the Company’s officers, directors, employees and consultants.

Each option granted under the 2005 Plan, as it was amended and restated on January 21, 2009, is exercisable through the expiration date of the 2005 Plan, which is December 31, 2018, unless stated otherwise. The Awards vest over two years from the date of grant, as follows: 25% vests six months after the date of grant, and the remaining Awards vest monthly, in equal instalments over 18 months unless other vesting schedules are specified. Any Awards that are cancelled or forfeited before expiration become available for future grants.

As of December 31, 2010, the number of shares of common stock authorized for issuance under the 2005 Plan amounted to 7,273,296. 305,447 shares are still available for future grant under the 2005 Plan as of December 31, 2010. Under the 2003 Plan 20,500 options are authorized for issuance, and 12,870 options are still available for future grant.

a. Options to employees and directors:

The Company accounted for its options to employees and directors under the fair value method in accordance with ASC 718. A summary of the Company’s share option activity for options granted to employees and directors under the Plans is as follows:

	Six months ended December 31, 2010			
	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value Price
Options outstanding at beginning of period	2,351,919	$ 3.73		
Options forfeited	(7,108)	1.16		
Options exercised	(5,000)	1.04		
Options outstanding at end of the period	2,339,811	$ 3.74	6.13	$ 494
Options exercisable at the end of the period	2,339,374	$ 3.74	6.12	$ 494
Options vested and expected to vest	2,339,789	$ 3.74	6.13	$ 494

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PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

bb. Options, warrants, restricted stock and restricted stock units to employees, directors and consultants (cont.):

a. Options to employees and directors (cont.):

Intrinsic value of exercisable options (the difference between the Company's closing stock price on the last trading day in the period and the exercise price, multiplied by the number of in-the-money options) represents the amount that would have been received by the employees and directors option holders had all option holders exercised their options on December 31, 2010. This amount changes based on the fair market value of the Company's common stock.

Compensation expenses related to options granted to employees and directors were recorded as follows:

	Six months ended December 31,		Three months ended December 31,		Period from inception through December 31,
	2010	2009	2010	2009	2010
Research and development expenses	$ 3	$ 52	$ 1	$ 20	$ 2,583
General and administrative expenses	4	114	-	42	5,540
	$ 7	$ 166	$ 1	$ 62	$ 8,123

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PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

bb. Options, warrants, restricted stock and restricted stock units to employees, directors and consultants (cont.):

b. Options and warrants to non-employees:

A summary of the Company's activity related to options and warrants to consultants is as follows:

	Six months ended December 31, 2010			
	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value Price
Options and warrants outstanding at beginning of period	389,750	$ 3.97		
Options and warrants forfeited	(28,750)	$ 2.75		
Options and warrants outstanding at end of the period	361,000	$ 4.06	5.96	$ 152
Options and warrants exercisable at the end of the period	334,761	$ 4.38	5.76	$ 114
Options and warrants vested and expected to vest	361,000	$ 4.06	5.96	$ 152

Compensation expenses related to options and warrants granted to consultants were recorded as follows:

	Six months ended December 31,		Three months ended December 31,		Period from inception through December 31,
	2010	2009	2010	2009	2010
Research and development expenses	$ 17	$ 61	$ 7	$ 31	$ 1,623
General and administrative expenses	1	62	-	19	802
	$ 18	$ 123	$ 7	$ 50	$ 2,425

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

bb. Options, warrants, restricted stock and restricted stock units to employees, directors and consultants (cont.):

c. Restricted stock and restricted stock units to employees and directors:

On August 12, 2010, the Company's Compensation Committee approved a grant of total 270,000 restricted shares to two of the Company's officers as a bonus. The shares became fully vested upon meeting a certain milestone.

On October 28, 2010, the Company's Audit Committee approved a grant of total 1,453,000 restricted stock units to the Company's employees and directors.

The following table summarizes the activities for unvested restricted stock units and restricted stock granted to employees and directors for the six months ended December 31, 2010:

	Number
Unvested at the beginning of period	1,356,665
Granted	1,723,000
Forfeited	(33,724)
Vested	(895,725)
Unvested at the end of the period	2,150,216
Expected to vest after December 31, 2010	2,090,947

Compensation expenses related to restricted stock and restricted stock units granted to employees and directors were recorded as follows:

	Six months ended December 31,		Three months ended December 31,		Period from inception through December 31,
	2010	2009	2010	2009	2010
Research and development expenses	$ 417	$ 204	$ 282	$ 84	$ 1,249
General and administrative expenses	821	325	588	147	1,988
	$ 1,238	$ 529	$ 870	$ 231	$ 3,237

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

bb. Options, warrants, restricted stock and restricted stock units to employees, directors and consultants (cont.):

d. Restricted stock and restricted stock units to consultants:

During the six months ended December 31, 2010, the Company granted to several consultants and service providers restricted stock and restricted stock units.

The following table summarizes the activities for unvested restricted stock units and restricted stock granted to consultants for the six months ended December 31, 2010:

	Number
Unvested at the beginning of period	73,261
Granted	225,106
Forfeited	-
Vested	(125,401)
Unvested at the end of the period	172,966
Expected to vest after December 31, 2010	172,966

Compensation expenses related to restricted stock and restricted stock units granted to consultants were recorded as follows:

	Six months ended December 31,		Three months ended December 31,		Period from inception through December 31,
	2010	2009	2010	2009	2010
Research and development expenses	$ 74	$ 27	$ 50	$ 10	$ 166
General and administrative expenses	127	-	74	-	177
	$ 201	$ 27	$ 124	$ 10	$ 343

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

cc. Summary of warrants and options:

A summary of all the warrants and options outstanding as of December 31, 2010 is presented in this table:

Warrants / Options	Exercise Price per Share	Options and Warrants for Common Stock	Options and Warrants Exercisable	Weighted Average Remaining Contractual Terms(in years)
Warrants:	$ 1.00	2,059,972	2,059,972	2.92
	$ 1.12	146,144	146,144	1.70
	$ 1.20	105,217	31,100	3.21
	$ 1.25 – 1.28	817,999	817,999	2.00
	$ 1.40 - $ 1.50	1,914,185	1,914,185	3.80
	$ 1.60	1,081,129	1,081,129	4.28
	$ 1.80 - $ 1.96	5,649,221	3,024,221	3.46
	$ 2.50	81,898	81,898	1.47
	$ 5.00	2,394,585	2,394,585	1.49
Total warrants		14,250,350	11,551,233	
Options:	$ 0.00	90,000	63,761	8.54
	$ 0.62	579,555	579,118	7.50
	$ 1.04	85,006	85,006	7.17
	$ 2.97	20,000	20,000	7.36
	$ 3.50	1,020,761	1,020,761	5.47
	$ 3.72 - $ 3.80	36,116	36,116	5.23
	$ 4.00	42,500	42,500	5.80
	$ 4.38 - $ 4.40	480,407	480,407	6.15
	$ 6.80	36,250	36,250	6.87
	$ 8.20	48,547	48,547	4.86
	$ 20.00	146,669	146,669	5.32
Total options		2,585,811	2,559,135	
Total warrants and options		16,836,161	14,110,368	

This summary does not include 2,132,036 restricted stock units that are not vested as of December 31, 2010.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except per share amounts)

NOTE 4: - SUBSEQUENT EVENTS

a. During January 2011, 1,754,560 warrants were exercised in consideration for $3,082, and 570,982 warrants were exercised on a cashless basis for 287,231 shares of common stock.

b. On February 1, 2011, the Company closed a public offering of 11,000,000 units, with each unit consisting of one share of the Company's common stock and one warrant to purchase 0.4 of a share of common stock, at a purchase price of $3.25 per unit. The warrants in the offering will generally be exercisable for a period of five years commencing 6 months following issuance, at an exercise price of $4.20 per share. The Company granted the underwriters a 30-day option to purchase from the Company up to an additional 1,650,000 shares of common stock and/or warrants to purchase up to 660,000 shares of common stock to cover over-allotments, if any. The underwriters exercised their overallotment option in full thereby increasing the number of units sold by the company by additional 1,650,000. The net proceeds to the Company are expected to be approximately $38,000, assuming no exercise of the warrants and after deducting underwriting commissions and discounts and estimated expenses payable by the company associated with the offering.

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

Forward - Looking Statements

This quarterly report on Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Federal securities laws, and is subject to the safe-harbor created by such Act and laws. Forward-looking statements may include statements regarding our goals, beliefs, strategies, objectives, plans, including product and technology developments, future financial conditions, results or projections or current expectations. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms, comparable terminology. These statements are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results to be materially different from those contemplated by the forward-looking statements. Such forward-looking statements appear in this Item 2 – "Management's Discussion and Analysis of Financial Condition and Results of Operations," and include, but are not limited to, statements regarding the following: the expected development and potential benefits from our products in treating various medical conditions, the safety and efficacy of our PLX-PAD product as well as the extent to which it is tolerated, our plans, intentions or expectations regarding clinical studies, our expectations regarding our short and long-term capital requirements and sufficiency of our capital resources, our plans to raise additional funding, including non-dilutive funding and governmental grants, our outlook for the coming months and information with respect to any other plans and strategies for our business. Our business and operations are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained in this report. Except as required by law, we undertake no obligation to release publicly the result of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Further information on potential factors that could affect our business is described under the heading "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2010. Readers are also urged to carefully review and consider the various disclosures we have made in that report.

As used in this quarterly report, the terms "we", "us", "our", the "company" and "Pluristem" mean Pluristem Therapeutics I and our wholly owned subsidiary, Pluristem Ltd., unless otherwise indicated or as otherwise required by the context.

Overview

We are a bio-therapeutics company dedicated to the commercialization of non-personalized (allogeneic) cell therapy products for the treatment of several severe degenerative, ischemic and autoimmune disorders. We are developing a pipeline of products, stored ready-to-use, that are derived from human placenta, a non-controversial, non-embryonic, adult stromal cell source. The placental adherent stromal cells, or ASCs, are grown in the company's proprietary PluriX™ three-dimensional bioreactor, which imitates the natural microstructure of the body.

Our first product in development, PLX-PAD, is intended to improve the quality of life of millions of people suffering from peripheral artery disease, or PAD.

We are currently focusing on clinical indications that the route of administration is intramuscular, which means that the cells are administrated locally to the muscle and not systemically. This route of administration may be applicable for several different indications, such as: PAD, critical limb ischemia, or CLI, intermittent claudication, or IC, neuropathic pain, wound healing and orthopedic injuries. In addition, we have reported our pre-clinical studies utilizing our proprietary PLX during the systemic administration in treating for multiple sclerosis, ischemic stroke, and inflammatory bowel disease.

Recent Developments

On December 12, 2010, the Tel-Aviv Stock Exchange, or the TASE, approved the listing of our shares of common stock for trading on the TASE beginning on December 19, 2010, under the ticker symbol PLTR.

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We announced on January 18, 2011 that we successfully completed a parallel scientific advisory process with the European Medical Agencies, or the EMA, and the U.S. Food and Drug Administration, or the FDA, regarding our planned clinical development program for PLX-PAD.

We plan to conduct two clinical studies of PLX-PAD, and to file the necessary regulatory documentation requesting the joint approval of the FDA-EMA for a Phase II/III study of PLX-PAD for CLI and a joint approval of the FDA and the Paul Ehrlich Institute (PEI) in Germany to conduct a Phase II study for IC.

In February 2011 we raised approximately $38 million in a firm commitment underwritten public offering. See ‘Liquidity and Capital Resources’.

Other Information

We have not generated revenues since our inception. Historically, we have relied on private placement issuances and public offerings of equity, as well as on governmental grants, to fund our operations.

We do not expect to generate revenues from sales of products in the next 12 months, and therefore we plan to continue to finance our operations from our existing cash resources and governmental grants. Cash used for operations will be affected by numerous known and unknown risks and uncertainties including, but not limited to, our ability to successfully develop and commercialize our products and the degree to which competitive products are introduced to the market. Our products will likely not be ready for sale for at least three years, if at all. We believe that the funds we have, which include net proceeds of approximately $5 million from a private placement that we closed in October, 2010, or the October 2010 Offering, and approximately $38 million from a public offering that we closed in February, 2011, together with an approved R&D grant from the Israeli Office of Chief Scientist, or the OCS, will be sufficient for operating until at least the end of calendar year of 2013. As long as our cash flows from operations remain insufficient to fund operations, we will continue depleting our financial resources and seeking additional capital through governmental grants or equity financing. If we raise additional funds through the issuance of equity, the percentage ownership of the company held by existing stockholders will be reduced and those stockholders may experience significant dilution. In addition, new securities may contain rights, preferences or privileges that are senior to those of our common stock.

RESULTS OF OPERATIONS – SIX AND THREE MONTHS ENDED DECEMBER 31, 2010 COMPARED TO SIX AND THREE MONTHS ENDED DECEMBER 31, 2009.

We have not generated any revenues, and we have negative cash flow from operations of $25,357,000 and have accumulated a deficit of $44,615,000 since our inception in May 2001. This negative cash flow is mostly attributable to research and development, clinical studies and general and administrative expenses. We estimate our operating cash expenses, net of OCS participation, in the next 12 months will be approximately $8,000,000.

Research and Development

Research and development expenses, net of participation of the OCS, for the six months ended December 31, 2010 increased by 42% from $1,814,000 for the six months ended December 31, 2009 to $2,576,000. This increase is attributed to the increase in our research and development activity and the progress of our clinical studies, including hiring 8 new employees since December 2009.

Research and development expenses, net of participation of the OCS, for the three months ended December 31, 2010 increased by 67% from $947,000 for the three months ended December 31, 2009 to $1,578,000. This increase is attributed to the increase in our research and development activity and the progress of our clinical studies, including hiring 8 new employees since December 2009.

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General and Administrative

General and administrative expenses for the six months ended December 31, 2010 increased by 22% from $1,645,000 for the six months ended December 31, 2009 to $2,002,000 mainly due to stock-based compensation expenses which increased in approximately $300,000.

General and administrative expenses for the three months ended December 31, 2010 increased by 42% from $875,000 for the three months ended December 31, 2009 to $1,246,000 due to an increase in stock-based compensation expenses.

Financial Income, net

Financial income increased from $11,000 for the six months ended December 31, 2009 to $68,000 for the six months ended December 31, 2010 due to exchange rate adjustments.

Financial income increased from an expense of $9,000 for the three months ended December 31, 2009 to income of $3,000 for the three months ended December 31, 2010 also due to exchange rate adjustments.

Net Loss

Net loss for the six and three months ended December 31, 2010 was $4,510,000 and $2,821,000, respectively, as compared to net loss of $3,448,000 and $1,831,000 for the six and three months ended December 31, 2009, respectively. Net loss per share for the six and three months ended December 31, 2010 was $0.20 and $0.11, respectively, as compared to $0.22 and $0.10 for the six and three months ended December 31, 2009.

Liquidity and Capital Resources

As of December 31, 2010, total current assets were $5,531,000 and total current liabilities were $1,479,000. On December 31, 2010, we had a working capital surplus of $4,052,000 and an accumulated deficit of $44,615,000. We finance our operations and plan to continue doing so from our existing cash, funds from grants from the OCS and issuances of our securities.

Cash and cash equivalents as of December 31, 2010 amounted to $4,739,000. This is an increase of $3,156,000 from the $1,583,000 reported as of June 30, 2010. Cash balances increased in the six months ended December 31, 2010 for the reasons presented below.

Operating activities used cash of $2,219,000 in the six months ended December 31, 2010. Cash used by operating activities in the six months ended December 31, 2010 primarily consisted of payments of salaries to our employees, and payments of fees to our consultants, subcontractors and professional services providers including costs of the clinical studies, less research and development grants by the OCS.

Investing activities provided cash of $367,000 in the six months ended December 31, 2010. The investing activities consisted primarily of repayments of short-term deposits, offset by investments in equipment for our R&D facilities and construction of a new research lab.

Financing activities generated cash of $5,008,000 during the six months ended December 31, 2010. Substantially all of such amount is attributable to the October 2010 Offering.

On October 18, 2010, we closed the October 2010 Offering, pursuant to which we sold 4,375,000 shares of our common stock at a price of $1.20 per share and warrants to purchase 2,625,000 shares of common stock, at an exercise price per share of $1.80. No separate consideration was paid for the warrants. The warrants have a term of four years and are exercisable starting six months following the issuance thereof. The aggregate net proceeds from the sale of the shares and the warrants were approximately $5,006,000.

In connection with the October 2010 Offering, we paid a transaction fee to finders in an amount of $244,000 in cash and issued them warrants to purchase 151,050 shares of our common stock. We also agreed to file a resale registration statement with the Securities and Exchange Commission covering the shares and the shares of common stock issuable upon the exercise of the warrants within 60 days from closing. The registration statement was filed and on December 10, 2010 it became effective.

On February 1, 2011, we closed a firm commitment underwritten public offering of 11,000,000 units, with each unit consisting of one share of our common stock and one warrant to purchase 0.4 of a share of common stock, at a purchase price of $3.25 per unit. The warrants in the offering will generally be exercisable for a period of five years commencing 6 months following issuance, at an exercise price of $4.20 per share. Also, on February 1, 2011 we closed the exercise by the underwriters of their full overallotment option to purchase an additional 1,650,000 shares of common stock and warrants to purchase 660,000 shares of common stock. The net proceeds to us were approximately $38 million, after deducting underwriting commissions and discounts and estimated expenses payable by us associated with the offering.

During January 2011, 1,754,560 warrants were exercised in consideration for $3,082,190, and 570,982 warrants were exercised on a cashless basis for 287,231 shares of stock.

During the six months ended December 31, 2010 we received approximately $1,286,000 from the OCS towards our R&D expenses. The OCS has supported our activity in the past five years. Our current program approved by the OCS is for the period March 2010 until February 2011. On March 2011 we plan to file an application for a sixth year program. There is no assurance that the OCS will approve a grant for another year's R&D activity, the amount of the grant is also not certain.

We believe that the funds we have, together with the approved R&D grant from the OCS, will be sufficient for operating until at least the end of calendar year of 2013.

Our management believes that we may need to raise additional funds before we have cash flow from operations that can materially decrease our dependence on our existing cash and other liquidity resources. We are continually looking for sources of funding, including non-diluting sources such as the OCS grants. We have an effective shelf registration statement which we used in a recent public offering we made and may continue to use in the future to raise additional funds.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures - We maintain a system of disclosure controls and procedures that are designed for the purposes of ensuring that information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO), as appropriate to allow timely decisions regarding required disclosures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our CEO and our CFO, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting - There has been no change in our internal control over financial reporting during the second quarter of fiscal 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

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

In October 2010 we issued 80,000 restricted stock units to a company controlled by one of our directors in connection with compensation for such director's services to us.

In November 2010, we issued 60,000 shares to an investor relations consultant as partial consideration for services the consultant provides to the company.

All of the above issuances and sales were exempt under Section 4(2) of the Securities Act of 1933, as amended.

Item 6. Exhibits.

4.1	Form of Common Stock Purchase Warrant dated October 18, 2010 issued by the Registrant (incorporated by reference to Exhibit 4.1 of our current report on Form 8-K filed October 12, 2010).
4.2*	Warrant Agreement dated February 1, 2011, by and between the registrant and American Stock Transfer & Trust Company, LLC (including the form of Warrant certificate).
10.1	Form of Regulation D Securities Purchase Agreement dated October 11, 2010 for Common Stock and Warrants of the Registrant (incorporated by reference to Exhibit 10.1 of our current report on Form 8-K filed October 12, 2010).
10.2	Form of Regulation S Securities Purchase Agreement dated October 12, 2010 for Common Stock and Warrants of the Registrant (incorporated by reference to Exhibit 10.2 of our current report on Form 8-K filed October 12, 2010).
31.1*	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.

*Filed herewith.

**Furnished herewith.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PLURISTEM THERAPEUTICS INC.

By: /s/ Zami Aberman
Zami Aberman, Chief Executive Officer
(Principal Executive Officer)
Date: February 9, 2011

By: /s/ Yaky Yanay
Yaky Yanay, Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)
Date: February 9, 2011

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