

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

Form 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **December 31, 2011**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **001-31392**

**PLURISTEM THERAPEUTICS INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**98-0351734**

(IRS Employer Identification No.)

**MATAM Advanced Technology Park, Building No. 20, Haifa, Israel 31905**

(Address of principal executive offices)

**+972-74-710-7171**

(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registration was required to submit and post such files).

Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

State the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 44,345,101 common shares issued as of February 4, 2012.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2011

(unaudited)

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2011

U.S. DOLLARS IN THOUSANDS

(Unaudited)

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**CONSOLIDATED BALANCE SHEETS**

U.S. Dollars in thousands

	Note	December 31, 2011 Unaudited	June 30, 2011 Audited
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		\$ 6,672	\$ 42,829
Short term bank deposits		30,491	-
Marketable securities	3	4,352	-
Prepaid expenses		217	314
Accounts receivable from the Office of the Chief Scientist		1,845	-
Other accounts receivable		266	154
<u>Total current assets</u>		<u>43,843</u>	<u>43,297</u>
<b>LONG-TERM ASSETS:</b>			
Long-term deposits and restricted deposits		1,186	179
Severance pay fund		485	452
Advance payment for leasehold improvements	6c	1,245	-
Property and equipment, net		2,883	2,088
<u>Total long-term assets</u>		<u>5,799</u>	<u>2,719</u>
<u>Total assets</u>		<u>\$ 49,642</u>	<u>\$ 46,016</u>

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

## CONSOLIDATED BALANCE SHEETS

U.S. Dollars in thousands

	Note	December 31, 2011 Unaudited	June 30, 2011 Audited
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables		\$ 1,174	\$ 1,177
Accrued expenses		231	208
Deferred revenues		923	-
Advance payment		1,926	-
Other accounts payable		722	633
<u>Total current liabilities</u>		<u>4,976</u>	<u>2,018</u>
<b>LONG-TERM LIABILITIES</b>			
Deferred revenues		3,692	-
Accrued severance pay		622	576
<u>Total long term liabilities</u>		<u>4,314</u>	<u>576</u>
COMMITMENTS AND CONTINGENCIES	5		
<b>STOCKHOLDERS' EQUITY</b>			
Share capital:	6		
Common stock \$0.00001 par value:			
Authorized: 100,000,000 shares			
Issued and outstanding: 44,117,044 shares as of			
December 31, 2011, 42,443,185 shares as of June 30, 2011		- (*)	- (*)
Additional paid-in capital		97,924	94,375
Accumulated deficit		(57,438)	(50,953)
Other comprehensive loss		(134)	-
		<u>40,352</u>	<u>43,422</u>
		<u>\$ 49,642</u>	<u>\$ 46,016</u>

(\*) Less than \$1.

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

## CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Six months ended December 31,		Three months ended December 31,		Year ended June 30,
	2011	2010	2011	2010	2011
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenues	\$ 385	\$ -	\$ 231	\$ -	\$ -
Research and development expenses	(5,844)	(3,687)	(2,976)	(2,186)	(8,311)
Less participation by the Office of the Chief Scientist and other parties	1,921	1,111	1,902	608	1,682
Research and development expenses, net	(3,923)	(2,576)	(1,074)	(1,578)	(6,629)
General and administrative expenses	(2,912)	(2,002)	(1,275)	(1,246)	(4,485)
Operating loss	(6,450)	(4,578)	(2,118)	(2,824)	(11,114)
Financial (expenses) income, net	(35)	68	126	3	266
Net loss for the period	\$ (6,485)	\$ (4,510)	\$ (1,992)	\$ (2,821)	\$ (10,848)
Loss per share:					
Basic and diluted net loss per share	\$ (0.15)	\$ (0.20)	\$ (0.05)	\$ (0.11)	\$ (0.35)
Weighted average number of shares used in computing basic and diluted net loss per share	43,225,017	22,954,736	43,669,466	24,897,022	31,198,825

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

## STATEMENTS OF CHANGES IN EQUITY (AUDITED)

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

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
<b>Balance as of July 1, 2010</b>	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
Issuance of common stock and warrants related to February 2011 secondary offering, net of issuance costs of \$2,970	12,650,000	(*)	38,142	-	38,142
Exercise of warrants by investors and finders	2,442,714	(*)	3,593	-	3,593
Exercise of options by employees and consultants	103,943	(*)	68	-	68
Issuance of common stock related to investor relations agreements	90,000	(*)	155	-	155
Stock based compensation to employees, directors and non-employees consultants	1,892,747	(*)	3,325	-	3,325
Net loss for the period	-	-	-	(10,848)	(10,848)
<b>Balance as of June 30, 2011</b>	<u>42,443,185</u>	<u>\$ (*)</u>	<u>\$ 94,375</u>	<u>\$ (50,953)</u>	<u>\$ 43,422</u>

(\*) Less than \$1.

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

## STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

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

	Common Stock Shares	Common Stock Amount	Additional Paid- in Capital	Accumulated Other Comprehensive Loss	Deficit Accumulated	Total Stockholders' Equity
<b>Balance as of July 1, 2011</b>	42,443,185	\$ (*)	\$ 94,375	\$ -	\$ (50,953)	\$ 43,422
Exercise of options by employees and consultants	23,000	(*)	14	-	-	14
Exercise of warrants by investors and finders	283,266	(*)	371	-	-	371
Stock based compensation to employees, directors and non-employees consultants	1,367,593	(*)	3,164	-	-	3,164
Unrealized loss on available for sale marketable securities	-	-	-	(134)	-	(134)
Net loss for the period	-	-	-	-	(6,485)	(6,485)
<b>Balance as of December 31, 2011</b>	<u>44,117,044</u>	<u>\$ (*)</u>	<u>\$ 97,924</u>	<u>\$ (134)</u>	<u>\$ (57,438)</u>	<u>\$ 40,352</u>

(\*) Less than \$1.

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



## CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. Dollars in thousands

	Six months ended December 31,		Year ended June 30,
	2011	2010	2011
	Unaudited	Unaudited	Audited
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (6,485)	\$ (4,510)	\$ (10,848)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	199	144	312
Capital loss	-	8	8
Impairment of property and equipment	-	-	11
Stock-based compensation to employees, directors and non-employees consultants	1,904	1,464	3,325
Stock compensation to investor relations consultants	-	78	155
Decrease (increase) in other accounts receivable	(1,960)	317	656
Decrease (increase) in prepaid expenses	97	(15)	(273)
Increase (decrease) in trade payables	(1)	254	455
Increase in other accounts payable and accrued expenses	112	34	375
Increase in deferred revenues	4,615	-	-
Increase in advance payment	1,926	-	-
Increase (Decrease) in interest receivable on short-term deposit	(240)	15	15
Linkage differences and interest on short-term restricted lease deposit	22	-	-
Linkage differences and interest on long-term restricted lease deposit	5	(3)	(4)
Amortization of discount, premium and changes in accrued interest from marketable securities	(33)	-	-
Accrued severance pay, net	13	(5)	58
Net cash provided by operating activities	\$ 174	\$ (2,219)	\$ (5,755)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property and equipment	\$ (996)	\$ (560)	\$ (962)
Investment in short-term deposits	(30,273)	-	-
Proceeds from short-term deposits	-	898	898
Proceeds from sale of property and equipment	-	28	29
Investment in long-term deposits	(1,011)	(12)	(14)
Repayment of long-term restricted deposit	2	13	13
Proceeds from sale of available for sale marketable securities	50	-	-
Purchase of available for sale marketable securities	(4,503)	-	-
Net cash provided by (used in) investing activities	\$ (36,731)	\$ 367	\$ (36)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. Dollars in thousands

	Six months ended December 31,		Year ended June 30,
	2011	2010	2011
	Unaudited	Unaudited	Audited
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Issuance of common stock and warrants, net of issuance costs	\$ -	\$ 5,015	\$ 43,400
Exercise of warrants and options	400	17	3,661
Repayment of long-term loan	-	(24)	(24)
Net cash provided by financing activities	\$ 400	\$ 5,008	\$ 47,037
Increase (decrease) in cash and cash equivalents	(36,157)	3,156	41,246
Cash and cash equivalents at the beginning of the period	42,829	1,583	1,583
Cash and cash equivalents at the end of the period	\$ 6,672	\$ 4,739	\$ 42,829
<b>(a) Supplemental disclosure of cash flow activities:</b>			
Cash paid during the period for:			
Taxes paid due to non-deductible expenses	\$ 10	\$ 7	\$ 11
<b>(b) Supplemental disclosure of non-cash activities:</b>			
Increase (decrease) in fair value of marketable securities	\$ (134)	\$ -	\$ -
Purchase of property and equipment in credit	\$ 121	\$ 73	\$ 123
Issuance of shares in consideration of accounts receivable	\$ -	\$ 243	\$ -
Issuance of shares in consideration of leasehold improvements	\$ 1,245	\$ -	\$ -

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

**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 on May 11, 2001. Pluristem Therapeutics Inc. has a wholly owned subsidiary, Pluristem Ltd. (the "Subsidiary"), which is incorporated under the laws of the State of Israel. Pluristem Therapeutics Inc. and the Subsidiary are referred to as the "Company".

b. The Company is a bio-therapeutic company developing standardized cell therapy products from human placenta for the treatment of multiple disorders. The Company has sustained operating losses and expects such losses to continue in the foreseeable future. The Company's accumulated losses aggregated to \$57,438 through December 31, 2011 and the Company incurred a net loss of \$6,485 for the six months ended December 31, 2011. 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, entering into licensing technology agreements such as the United Therapeutics Corporation ("United Therapeutics") agreement, and from grants to support its R&D activity. In the longer term, the Company plans to finance its operations from revenues from sales of products.

The Company was in the development stage from its inception until July 2011 (see 2a below).

c. Since December 10, 2007, the Company's shares of common stock have been traded on the NASDAQ Capital Market under the symbol PSTI. On May 7, 2007, the Company's shares also began trading on Europe's Frankfurt Stock Exchange under the symbol PJTA.

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

d. Licence Agreement:

On June 19, 2011, the Company entered into an exclusive license agreement, or the License Agreement, with United Therapeutics, for the use of its PLX cells to develop and commercialize a cell-based product for the treatment of Pulmonary Hypertension ("PAH"). The License Agreement provides that United Therapeutics will receive exclusive worldwide license rights for the development and commercialization of the Company's PLX cell-based product to treat PAH. The License Agreement provides for the following consideration payable to the Company: (i) an upfront payment of \$7,000 paid in August 2011, which includes a \$5,000 non-refundable upfront payment and \$2,000 refundable advance payment on the development; (ii) up to \$37,500 upon reaching certain regulatory milestones with respect to the development of a product to treat PAH; (iii) reimbursement of up to \$10,000 of certain of the Company expenses if the Company establishes a manufacturing facility in North America upon meeting certain milestones; (iv) reimbursement of certain costs in connection with the development of the product; and (v) following commercialization of the product, royalties and the purchase of commercial supplies of the developed product from the Company at a specified margin over the Company's cost.

On August 2, 2011, the License Agreement became effective following the consent of the Office of the Chief Scientist of Israel.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

a. The accompanying unaudited interim financial statements of Pluristem Therapeutics Inc. 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 Pluristem's latest Annual Report on Form 10-K filed with the SEC. 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 Form 10-K have been omitted. Commencing July 2011, the Company ceased to consider itself a development stage company.

b. *Short-term deposits*

The Company considers all highly liquid investments that are convertible to cash with original maturities of more than three months and less than one year as short-term deposits.

c. *Marketable Securities*

The Company accounts for its investments in marketable securities in accordance with ASC 320 "Investments - Debt and Equity Securities". The Company determines the classification of marketable securities at the time of purchase and reevaluates such designations as of each balance sheet date. The Company classifies all of its marketable securities as available-for-sale. Available-for-sale marketable securities are carried at fair value, with the unrealized gain and loss reported as a separate component of shareholders' equity, accumulated other comprehensive income (loss).

Realized gain and loss on sales of marketable securities are included in the Company's statements of operations and are derived using the specific identification basis for determining the cost of marketable securities. The amortized cost of available for sale marketable securities is adjusted for amortization of premiums and accretion of discount to maturity. Such amortization, together with interest on available for sale marketable securities, is included in the financial income (expenses), net.

The Company recognizes an impairment charge when a decline in the fair value of its available-for-sale marketable securities below the cost basis is judged to be other-than-temporary. The Company considers various factors in determining whether to recognize an impairment charge, including the length of time the investment has been in a loss position, the extent to which the fair value has been less than the Company's cost basis, the investment's financial condition and the near-term prospects of the issuer. The Company adopted FASB ASC 320-10-65 effective January 1, 2009, which requires an other-than-temporary impairment for debt securities to be separated into (a) the amount representing the credit loss and (b) the amount related to all other factors (provided that the Company does not intend to sell the security and it is not more likely than not that it will be required to sell it before recovery). The Company classifies its marketable securities as available-for-sale and marks them to market with changes to other comprehensive income until realization or occurrence of other than temporary impairment loss.

d. *Revenue Recognition from the license Agreement with United Therapeutics*

The Company recognizes revenue pursuant to the License Agreement with United Therapeutics in accordance with ASC 625-25 "Revenue Recognition, Multiple-Element Arrangements". Pursuant to this guidance, the Company determined that its arrangement with United Therapeutics involves multiple revenue-generating deliverables that should be accounted for as a separate units of accounting for revenue recognition purposes.

The Company received an up-front, non-refundable license payment of \$5,000. Additional payments totaling \$37,500 are subject to the Company's meeting certain milestones.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)****d. Revenue Recognition from the license Agreement with United Therapeutics (cont.)**

The non-refundable upfront license fee of \$5,000 is deferred and recognized over the related performance period in accordance with SAB 104 "Revenue Recognition". The Company estimated the performance period of the development of approximately 5.5 years. The license fee will be recognized on a straight line basis as revenue over the estimated development period, resulting in revenue of \$385 for the six months ended December 31, 2011.

The additional milestones payments will be recognized upon the achievement of the specific milestone, in accordance with EITF Issue No. 08-9, "Milestone Method of Revenue Recognition".

The Company also received a refundable, advance payment on the development, of \$2,000 that will be deductible against development expenses as it accrued. This upfront payment received and not recognized as revenues is included in the balance sheet as advanced payment. All expenses related to the development, on cost basis, shall be repaid to the Company by United Therapeutics. The Company is deducting the payments from the R&D expenses in accordance with ASC 730 "Research and Development". During the six month period ended December 31, 2011, the Company deducted an amount of approximately \$74.

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

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, available-for-sale marketable securities, short-term deposits, trade payable and other accounts payable and accrued liabilities, approximate fair value because of their generally short term maturities.

The Company accounts for certain assets and liabilities at fair value under FASB ASC 820, "Fair Value Measurements and Disclosures." Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, FASB ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

**Level 1** - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

**Level 2** - Includes other inputs that are directly or indirectly observable in the marketplace, other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets with insufficient volume or infrequent transactions, or other inputs that are observable (model-derived valuations in which significant inputs are observable), or can be derived principally from or corroborated by observable market data; and

**Level 3** - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company categorized each of its fair value measurements in one of these three levels of hierarchy.

**f. Impact of recently issued accounting standards:**

On June 16, 2011, the Financial Accounting Standards Board issued ASU No. 2011-05, "Presentation of Comprehensive Income".

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)***f. Impact of recently issued accounting standards: (cont.)*

This standard eliminates the current option to report other comprehensive income and its components in the statement of changes in shareholders' equity and provides for either a single continuous statement or two separate statements.

Both options require companies to present the components of net income and total net income, the components of other comprehensive income along with a total for other comprehensive income. Companies are also required to present reclassification adjustments for items that are reclassified from other comprehensive income to net income within these statements. This standard will be applied retrospectively for fiscal years beginning after December 15, 2011 with early adoption permitted. The disclosure requirements of this standard will not have a material effect on the Company's results of operations or financial position as the amendment impacts presentation only.

For additional description of recent accounting pronouncements relevant to the Company, please refer to "Recently issued accounting standards" included in Note 2 in the financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2011.

**NOTE 3:- MARKETABLE SECURITIES**

As of December 31, 2011, all of the Company's marketable securities were classified as available-for-sale.

	December 31, 2011				June 30, 2011			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
<b>Available-for-sale - matures within one year:</b>								
Equity Funds	\$ 1,108	\$ 21	\$ (20)	\$ 1,109	\$ -	\$ -	\$ -	\$ -
Corporate debentures – fixed interest rate	196	1	-	197	-	-	-	-
	<u>\$ 1,304</u>	<u>\$ 22</u>	<u>\$ (20)</u>	<u>\$ 1,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Available-for-sale - matures after one year through five years:</b>								
Government debentures – fixed interest rate	1,355	3	(43)	1,315	-	-	-	-
Corporate debentures – fixed interest rate	879	-	(42)	837	-	-	-	-
	<u>\$ 2,234</u>	<u>\$ 3</u>	<u>\$ (85)</u>	<u>\$ 2,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Available-for-sale - matures after five year through ten years:</b>								
Government debentures – fixed interest rate	545	-	(30)	515	-	-	-	-
Corporate debentures – fixed interest rate	403	-	(24)	379	-	-	-	-
	<u>\$ 948</u>	<u>\$ -</u>	<u>\$ (54)</u>	<u>\$ 894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u><u>\$ 4,486</u></u>	<u><u>\$ 25</u></u>	<u><u>\$ (159)</u></u>	<u><u>\$ 4,352</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 4:- FAIR VALUE OF FINANCIAL INSTRUMENTS**

In accordance with FASB ASC 820, "Fair Value Measurements and Disclosures," the Company measures its available-for-sale marketable securities contracts at fair value.

	December 31, 2011			June 30, 2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Short term deposits	\$ 30,491	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	4,352	-	-	-	-	-
Foreign currency cash flow hedges	-	(171)	-	-	7	-
Total	\$ 34,843	\$ (171)	\$ -	\$ -	\$ 7	\$ -

**NOTE 5: - COMMITMENTS AND CONTINGENCIES**

Commitments and contingencies that occurred during the six months ended December 31, 2011 includes the following:

- An amount of \$1,157 was pledged by the Company to secure its hedging transactions, credit line and bank guarantees.
- In July 2011, the Company has entered into an agreement with MTM – Scientific Industries Center Haifa Ltd., for the leasing and construction of a new GMP manufacturing facility. The new facility will be located near the Company's headquarters and existing facilities in MATAM Park, Haifa, Israel. According to the agreement, the lease of the new facility is expected to commence in January 2012 for a period of approximately 5 years with an option to extend the lease for an additional 5 year period. The Company has issued an additional bank guarantee in favor of MTM in the amount of approximately \$263.
- In December 9, 2011, the Company has entered into an agreement with Aseptic Technologies for the rental of a machine. The Company has issued an additional bank guarantee in favor of Aseptic Technologies in amount of approximately \$81.

**NOTE 6: - SHARE CAPITAL AND STOCK OPTIONS**

- The Company's authorized common stock consists of 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.

The Company's authorized preferred stock consists of 10,000,000 shares of preferred stock, par value \$0.00001 per share, 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 issued.

- In July till December 2011, a total of 156,122 warrants were exercised via a "cashless" exercise, resulting in the issuance of 77,166 shares of common stock to investors of the Company. In addition 206,100 warrants were exercised and resulted in the issuance of 206,100 shares of common stock by investors of the Company. The aggregate cash consideration received was \$371.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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**NOTE 6: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)**

- c. On October 26, 2011, the Company issued 500,000 shares as an advance payment to Biopharmax as part of the agreement for building the new Company facility.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 6: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)****d. 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. Any Awards that are cancelled or forfeited before expiration become available for future grants.

As of December 31, 2011, the number of shares of common stock authorized for issuance under the 2005 Plan amounted to 10,505,995. 1,131,281 shares are still available for future grant under the 2005 Plan as of December 31, 2011. Under the 2003 Plan 20,500 options are authorized for issuance, and 15,296 options are still available for future grant as of December 31, 2011.

**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, "Compensation — Stock Compensation". A summary of the Company's share option activity for options granted to employees and directors under the Plans is as follows:

	<b>Six months ended December 31, 2011</b>			
	<b>Number</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Terms (in years)</b>	<b>Aggregate Intrinsic Value Price</b>
Options outstanding at beginning of period	2,200,616	\$ 3.84		
Options exercised	(18,000)	0.62		
Options forfeited	(64,046)	3.65		
Options outstanding at end of the period	<u>2,118,570</u>	<u>\$ 3.88</u>	<u>5.39</u>	<u>\$ 981</u>
Options exercisable at the end of the period	<u>2,118,570</u>	<u>\$ 3.88</u>	<u>5.39</u>	<u>\$ 981</u>
Options vested and expected to vest	<u>2,118,570</u>	<u>\$ 3.88</u>	<u>5.39</u>	<u>\$ 981</u>

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, 2011. 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:

	<b>Six months ended December 31,</b>		<b>Three months ended December 31,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Research and development expenses	\$ -	\$ 3	\$ -	\$ 1
General and administrative expenses	-	4	-	-
	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 1</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 6: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)****e. Options, warrants, restricted stock and restricted stock units to employees, directors and consultants (cont.):**

## b. Options and warrants to non-employees:

On December 21, 2011, the Company's Compensation Committee approved a grant of a total of 12,000 options to the Company's consultants

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

	Six months ended December 31, 2011			
	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value Price
Options and warrants outstanding at beginning of period	425,000	\$ 3.65		
Options and warrants granted	12,000	-		
Options and warrants exercised	(5,000)	0.62		
Options and warrants outstanding at end of the period	432,000	\$ 3.58	4.61	\$ 469
Options and warrants exercisable at the end of the period	411,000	\$ 3.77	4.35	\$ 417
Options and warrants vested and expected to vest	432,000	\$ 3.58	4.61	\$ 469

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

	Six months ended December 31,		Three months ended December 31,	
	2011	2010	2011	2010
Research and development expenses	\$ 19	\$ 17	\$ 9	\$ 7
General and administrative expenses	15	1	7	-
	\$ 34	\$ 18	\$ 16	\$ 7

Future expenses related to options and warrants granted to consultants for an average time of almost two years is \$40.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 6: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)****e. 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 December 21, 2011, the Company's Compensation Committee approved a grant of a total of 1,547,250 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, 2011:

	<u>Number</u>
Unvested at the beginning of period	2,138,955
Granted	1,573,638
Forfeited	(10,623)
Vested	(814,160)
Unvested at the end of the period	<u>2,887,810</u>
Expected to vest after December 31, 2011	<u>2,838,670</u>

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

	<u>Six months ended</u>		<u>Three months ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Research and development expenses	\$ 483	\$ 417	\$ 230	\$ 282
General and administrative expenses	1,290	821	612	588
	<u>\$ 1,773</u>	<u>\$ 1,238</u>	<u>\$ 842</u>	<u>\$ 870</u>

Future expenses related to restricted stock and restricted stock units granted to employees and directors for an average time of almost two years is \$4,975.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 6: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

e. 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, 2011, the Company granted to several consultants and service providers restricted stock.

The following table summarizes the activities for unvested restricted stock units and restricted stock granted to consultants for the six months ended December 31, 2011:

	Number
Unvested at the beginning of period	149,998
Granted	433
Vested	(53,431)
Unvested at the end of the period	97,000
Expected to vest after December 31, 2011	97,000

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,	
	2011	2010	2011	2010
Research and development expenses	\$ 112	\$ 74	\$ 53	\$ 50
General and administrative expenses	1	127	1	74
	<u>\$ 113</u>	<u>\$ 201</u>	<u>\$ 54</u>	<u>\$ 124</u>

Future expenses related to restricted stock and restricted stock units granted to consultants for an average time of almost two years is \$58.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## NOTE 6: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

## f. Summary of warrants and options:

A summary of all the warrants and options outstanding as of December 31, 2011 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)
<b>Warrants:</b>	\$ 1.00	2,014,518	2,014,518	1.92
	\$ 1.12	114,794	114,794	0.32
	\$ 1.20	12,500	12,500	0.80
	\$ 1.25 - 1.28	762,642	762,642	0.99
	\$ 1.40 - \$ 1.50	1,768,040	1,768,040	2.83
	\$ 1.60	181,221	181,221	3.28
	\$ 1.80 - \$ 1.96	3,721,445	3,721,445	2.46
	\$ 2.50	81,298	81,298	0.46
	\$ 4.20	5,060,000	5,060,000	4.59
	\$ 5.00	2,394,585	2,394,585	0.49
<b>Total warrants</b>		<b>16,111,043</b>	<b>16,111,043</b>	
<b>Options:</b>	\$ 0.00	110,000	89,000	8.01
	\$ 0.62	471,612	471,612	6.74
	\$ 1.04-\$ 1.45	145,006	145,006	3.62
	\$ 2.97	20,000	20,000	6.36
	\$ 3.50	982,938	982,938	4.92
	\$ 3.72 - \$ 3.80	31,550	31,550	4.94
	\$ 4.00	42,500	42,500	4.80
	\$ 4.38 - \$ 4.40	464,304	464,304	5.34
	\$ 6.80	36,250	36,250	5.87
	\$ 8.20	46,670	46,670	4.04
	\$ 20.00	142,500	142,500	4.48
<b>Total options</b>		<b>2,493,330</b>	<b>2,472,330</b>	
<b>Total warrants and options</b>		<b>18,604,373</b>	<b>18,583,373</b>	

This summary does not include 2,984,810 restricted stock units that are not vested as of December 31, 2011.

## 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 other 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, or other 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 and publication of results of such 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, the success of our plans to develop in house manufacturing capacity of clinical grade PLX cells in commercial quantities, the expansion of our relationships with research and clinical institutions as well as collaboration with other companies 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, 2011. 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 Inc. and our wholly owned subsidiary, Pluristem Ltd., unless otherwise indicated or as otherwise required by the context.

### **Overview**

We are a leading bio-therapeutic company developing standardized cell therapy products for the treatment of life threatening diseases. We are developing a pipeline of products, stored ready-to-use, derived from human placenta, a non-controversial, non-embryonic, adult cell source. Placental-derived adherent stromal cells are grown in the Company's proprietary PluriX™ three-dimensional process that allows cells to grow in a more natural environment and enable us to produce large quantities of clinical grade cells. We refer to the cells that are grown in the PluriX™ as our PLacental eXpanded cells, or PLX cells. We are expanding our in-house manufacturing capacity so that we will be able to grow large scale quantities of our cells efficiently and without reliance on outside vendors.

Our strategy is to develop and manufacture cell therapy products for the treatment of multiple disorders via several routes of administration. We plan to execute this strategy both independently, using our own personnel and via relationships with research and clinical institutions, or in collaboration with other companies, such as United Therapeutics Corporation, or United. We plan to have in-house manufacturing capacity of clinical grade PLX cells in commercial quantities and to control all of our proprietary manufacturing processes in order to assist in executing this strategy.

We believe that intramuscular administration, which means that the cells are administrated locally to the muscle and not systemically, may be suitable for a number of different clinical indications. Such indications include peripheral artery disease, or PAD, critical limb ischemia, or CLI, intermittent claudication, muscle injuries, thromboangiitis obliterans, or Buerger's disease, neuropathic pain, wound healing and orthopedic injuries. In addition, we have reported pre-clinical studies utilizing successfully our proprietary PLX cells when administered systemically via the intravenous route in treating multiple sclerosis, ischemic stroke, inflammatory bowel disease and radiation exposure. Under our exclusive license agreement, or the United Agreement, with United, we plan to participate in the development and commercialization of a PLX cell-based product for the treatment of Pulmonary Arterial Hypertension, or PAH.

Our first product in development, called PLX-PAD, is intended to improve the quality of life of millions of people suffering from PAD. In November 2011, following completion of twelve month clinical follow-ups using our PLX cells in CLI, the end-stage of PAD, we announced that the data collected from our two open-label, dose-escalation, Phase I clinical trials conducted in the United States and Germany demonstrated a safe immunologic profile at all dosage levels and found PLX-PAD to be potentially effective in treating patients suffering from CLI. During the Phase I clinical trials we have collected information regarding the Amputation Free Survival, or AFS, rate and since our Phase I clinical trials did not include control groups, we compared the data with another published CLI trial's control data, or Historical Data. The data showed that from a total of twenty-seven patients, four treatment failures, or Event, occurred during the observation period of twelve months, which resulted in an AFS rate of 85.2%, as opposed to Historical Data of 66.8% for the same time period. This corresponded to an Event rate of 14.8%, as opposed to Historical Data showing a 33.2% Event rate.

#### **Recent Developments**

In October 2011, we entered into an agreement for the design and construction of a manufacturing facility of bio-pharmaceutical products, or the Construction Agreement, with Biopharmax Group (1996) Ltd., a company specializing in the design and construction of biotechnological and pharmaceutical facilities, or the Contractor. Under the terms of the Construction Agreement, the Contractor is required to design and construct our new manufacturing facility, in a space to be leased as of January 2012, as a turn key project, or the Project, that will meet the requirements of the U.S., Canadian, Israeli and European regulatory authorities and current Good Manufacturing Practices (cGMP). The Project is planned to be completed in the fourth calendar quarter of 2012. The Contractor is required to pay certain penalties for not meeting the time schedule agreed between the parties.

Pursuant to the terms of the Construction Agreement, the Contractor is eligible to receive an aggregate consideration of NIS 22,800,000 (approximately \$6,246,575 based on the then current exchange ratio of \$1=NIS3.65) plus value added tax. We have the option to pay a certain portion of the said consideration in up to 2,000,000 shares of our common stock. We may terminate the Construction Agreement at any time by a written notice to the Contractor. In case of termination by us for convenience, we shall be required to pay the Contractor \$250,000 in addition to the payment for the services provided by the Contractor prior to the termination date.

In January 2012, we announced that our wholly owned subsidiary, Pluristem Ltd., received approval for a NIS 9 million (approximately \$2.4 million) grant from the Office of the Chief Scientist, or the OCS, within the Israeli Ministry of Industry, Trade and Labor. Once received, the grant will be used to cover R&D expenses for the period March 2011 to February 2012. This is the sixth grant received by us from the OCS and is subject to the same repayment restrictions of royalties as the prior grants.

#### **Critical accounting policies**

Our financial statements and accompanying notes are prepared in accordance with U.S. GAAP. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our consolidated financial statements is critical to an understanding of our financial statements.

##### *Revenue Recognition*

We recognize revenue pursuant to the United Agreement in accordance with ASC 625-25 "Revenue Recognition, Multiple-Element Arrangements". Pursuant to this guidance, we determined that our arrangement with United involves multiple revenue-generating deliverables that should be accounted for as separate units of accounting for revenue recognition purposes.

We received an up-front, non-refundable license payment of \$5,000,000. Additional payments totaling \$37.5 million are subject to our Company's meeting certain milestones. The non-refundable upfront license fee of \$5,000,000 is deferred and recognized over the related performance period in accordance with SAB 104 "Revenue Recognition". We estimated the performance period of the development of approximately 5.5 years. Future changes in estimates of the performance period may materially impact the timing and amounts of future revenue recognized. The license fee will be recognized on a straight line basis as revenue over the estimated development period, resulting in revenue of \$385,000 for the six months ended December 31, 2011.

The additional milestones payments will be recognized upon the achievement of the specific milestone, in accordance with EITF Issue No. 08-9, "Milestone Method of Revenue Recognition".

We also received a refundable, advance payment on the development, of \$2,000,000 that is deductible against development expenses as it accrued. This upfront payment received and not recognized as revenues is included in the balance sheet as advanced payment. All expenses related to the development, on cost basis, shall be repaid to us by United. We are deducting the payments from the R&D expenses in accordance with ASC 730 "Research and Development".

#### **RESULTS OF OPERATIONS – SIX AND THREE MONTHS ENDED DECEMBER 31, 2011 COMPARED TO SIX AND THREE MONTHS ENDED DECEMBER 31, 2010.**

##### **Revenues**

Revenues for the six months ended December 31, 2011 in the amount of \$385,000 are from the United Agreement. We did not generate revenues during the six months ended December 31, 2010.

Revenues for the three months ended December 31, 2011 in the amount of \$231,000 are from the United Agreement. We did not generate revenues during the three months ended December 31, 2010.

##### **Research and Development**

Research and development expenses, net of participation of the OCS and other grants, for the six months ended December 31, 2011 increased by 52% from \$2,576,000 for the six months ended December 31, 2010 to \$3,923,000. This increase is attributed to the following reasons: The material increase in our in-house research and development activity, the increase in expenses related to the clinical and preclinical trials we are involved with and timing of approval of the OCS program. The material increase in research and development expenses resulted from increase in our salaries and lab materials expenses due to, among other things, hiring 27 new employees since December 2010. In addition, the research and development expenses for the six months ended December 31, 2011 are net of participation of the OCS for ten months in the amount of \$1,896,000, compared to participation of the OCS for the six months ended December 31, 2010 which are \$1,111,000.

Research and development expenses, net of participation of the OCS and other grants, for the three months ended December 31, 2011 decreased by 32% from \$1,578,000 for the three months ended December 31, 2010 to \$1,074,000. This decrease is attributed to the following reasons: timing of approval of the OCS program, which resulted in \$1,896,000 recognized in the three months ended December 31, 2011, compared with \$608,000 recognized in the three months ended December 31, 2010, partially offset by an increase in our in-house research and development activity and the increase in expenses related to the clinical and preclinical trials we are involved with. The increase in research and development expenses resulted from an increase in our salaries due to, among other things, hiring 27 new employees since December 2010, and increases in laboratory materials expenses.

##### **General and Administrative**

General and administrative expenses for the six months ended December 31, 2011 increased by 45% from \$2,002,000 for the six months ended December 31, 2010 to \$2,912,000 mainly due to stock-based compensation expenses related to our employees and consultants which increased by approximately \$595,000 and due to general and administrative costs related to the United Agreement such as bonuses that our officers and directors were entitled to as part of our bonus plan and legal fees involved.

General and administrative expenses for the three months ended December 31, 2011 increased by 2% from \$1,246,000 for the three months ended December 31, 2010 to \$1,275,000.



### **Financial Income, net**

Financial income decreased from \$68,000 for the six months ended December 31, 2010 to an expense of \$35,000 for the six months ended December 31, 2011 due to exchange rate adjustments.

Financial income increased from \$3,000 for the three months ended December 31, 2010 to \$126,000 for the three months ended December 31, 2011 due to an increase in interest income on bank deposits due to higher cash balances partially offset by exchange rate adjustments.

### **Net Loss**

Net loss for the six and three months ended December 31, 2011 was \$6,485,000 and \$1,992,000, respectively, as compared to net loss of \$4,510,000 and \$2,821,000 for the six and three months ended December 31, 2010, respectively. Net loss per share for the six and three months ended December 31, 2011 was \$0.15 and \$0.05, respectively, as compared to \$0.20 and \$0.11 for the six and three months ended December 31, 2010.

For the periods ended December 31, 2011 and December 31, 2010, we had weighted average shares of common stock outstanding of 43,225,017 and 22,954,736, respectively, that were used in the computations of net loss per share. The increase in weighted average common shares outstanding reflects mainly the shares of common stock issued in offerings that took place since December 2010 and shares issued as a result of exercise of warrants and options.

### **Liquidity and Capital Resources**

As of December 31, 2011, total current assets were \$43,843,000 and total current liabilities were \$4,976,000. On December 31, 2011, we had a working capital surplus of \$38,867,000, stockholders' equity of \$40,352,000 and an accumulated deficit of \$57,438,000. We finance our operations and plan to continue doing so from our existing cash, licensing agreements, funds from grants from the OCS and issuances of our securities.

Cash and cash equivalents as of December 31, 2011 amounted to \$6,672,000. This is a decrease of \$36,157,000 from the \$42,829,000 reported as of June 30, 2011, which is mainly due to our investing in short-term and long-term bank deposits and in marketable securities, as further detailed below.

Cash balances decreased in the six months ended December 31, 2011 for the reasons presented below.

Operating activities provided cash of \$174,000 in the six months ended December 31, 2011. Cash provided by operating activities in the six months ended December 31, 2011 primarily consisted of receiving the upfront payment related to the United Agreement in the amount of \$7,000,000 offset by payments of salaries to our employees, and payments of fees to our consultants, subcontractors and professional services providers including costs of clinical studies.

Investing activities used cash of \$36,731,000 in the six months ended December 31, 2011. The investing activities consisted primarily of investing in short-term and long-term bank deposits and in marketable securities. The investments were made in accordance with the policy set by our investment committee which aims to preserve our financial assets, maintain adequate liquidity and maximize return. Such policy further provides that we should hold the vast majority of our current assets in bank deposits and the remainder of our current assets is to be invested in government bonds and a combination of corporate bonds and relatively low risk stocks. As of today, the currency of our financial portfolio is mainly in USD and we use forward and options contracts in order to hedge our exposures to currencies other than the USD.

Financing activities generated cash of \$400,000 during the six months ended December 31, 2011 from exercises of warrants by shareholders and exercises of options by employees and consultants.

During the past six months, 206,100 warrants were exercised in consideration for \$370,980, and 156,122 warrants were exercised on a cashless basis resulting in the net issuance of 77,166 shares of stock.

During the six months ended December 31, 2011, we received approximately \$16,000 from the OCS towards our research and development expenses. The OCS has supported our activity in the past five years. Recently we have received the OCS's approval of the sixth year grant in the amount of NIS 9 million (approximately \$2.4 million) for participation in R&D expenses occurred during the period from March 1, 2011 and February 29, 2012. In January 2012, we filed an application for a seventh year program. There is no assurance that the OCS will approve a grant for the seventh year's R&D activity. The amount of the grant is also not certain.

We have accumulated a deficit of \$57,438,000 since our inception in May 2001. We do not expect to generate any revenues from sales of products in the next twelve months. Our products will likely not be ready for sale for at least three years, if at all. We expect to generate revenues, which in the short and medium terms will unlikely exceed our costs of operations, from the sale of licenses to use our technology or products, as we have in the United Agreement. 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 may use in the future to raise additional funds.

We believe that the funds we have will be sufficient for operating until approximately the end of fiscal year of 2014.

**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 2012 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 2011, we issued 433 shares to an investor relations consultant as partial consideration for services the consultant provides to the Company.

In October 2011, we issued 500,000 shares to our new facility contractor as partial consideration for services it is providing to the Company.

In December 2011 we issued 210,000 restricted stock units to two companies controlled by two of our directors in connection with compensation for such director's services to us.

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

### Item 5. Other Information.

On February 9, 2012, our Board of Director amended Section 4 of Article I of our By-laws to provide that the quorum in an adjourned meeting of the our shareholders shall be thirty three and one third percent (33 1/3%) of the Stock issued and outstanding and entitled to vote thereat instead of 10%. An amended and restated version of our By-laws is filed herewith as exhibit 3.1.

### Item 6. Exhibits.

- 3.1 Amended and Restated By-laws.
- 10.1 Summary of Construction Agreement dated October 30, 2011 by and between Pluristem Ltd. and Biopharmax Group (1996) Ltd..
- 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.
- 101 \*\* The following materials from our Quarterly Report on Form 10-Q for the quarter ended December 31, 2011 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Statements of Changes in Stockholders (Deficiency) and (v) related notes to these financial statements, tagged as blocks of text.

\*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, 2012

By: /s/ Yaky Yanay  
Yaky Yanay, Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)  
Date: February 9, 2012

AMENDED AND RESTATED BYLAWS

OF

PLURISTEM LIFE SYSTEMS, INC.

A Nevada Corporation

ARTICLE I

STOCKHOLDERS

SECTION 1

Annual Meeting. Annual meetings of the Stockholders, shall be held annually on the day and at the time as may be set by the Board of Directors from time to time, at which annual meeting the Stockholders shall elect by vote a Board of Directors and transact such other business as may properly be brought before the meeting. Anyone who is a shareholder of at least 5% of the stock and attends a meeting of shareholders can bring up a subject for discussion

SECTION 2

Special Meetings. Special meetings of the Stockholders for any purpose or purposes, unless otherwise prescribed by statute or by the Articles of Incorporation, may be called by the President or the Secretary by resolution of the Board of Directors or at the request in writing of Stockholders owning 10% in amount of the entire capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose of the proposed meeting.

SECTION 3

Place of Meetings. All annual meetings of the Stockholders shall be held at the registered office of the Corporation or at such other place within or outside the State of Nevada as the Directors shall determine. Special meetings of the Stockholders may be held at such time and place within or outside the State of Nevada as shall be stated in the notice of the meeting, or in a duly executed waiver of notice thereof. Business transacted at any special meeting of Stockholders shall be limited to the purposes stated in the notice.

SECTION 4

Quorum; Adjourned Meetings. The holders of at least thirty three and one third percent (33 1/3%) of the Stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the Stockholders for the transaction of business except as otherwise provided by statute or by the Articles of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the Stockholders, the Stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. At the adjourned meeting, thirty three and one third percent (33 1/3%) of the issued and outstanding Stock entitled to vote present in person or represented by proxy shall constitute a quorum.

SECTION 5

Voting. Each Stockholder of record of the Corporation holding Stock which is entitled to vote at this meeting shall be entitled at each meeting of Stockholders to one vote for each share of Stock standing in his name on the books of the Corporation. Upon the demand of any Stockholder, the vote for Directors and the vote upon any question before the meeting shall be by ballot.

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When a quorum is present or represented at any meeting, the vote of the holders of a majority of the Stock having voting power present in person or represented by proxy shall be sufficient to elect Directors or to decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the Articles of Incorporation, a different vote is required in which case such express provision shall govern and control the decision of such question.

#### **SECTION 6**

Proxies. At any meeting of the Stockholders any Stockholder may be represented and vote by a proxy or proxies appointed by an instrument in writing. In the event that any such instrument in writing shall designate two or more persons to act as proxies, a majority of such persons present at the meeting, or, if only one shall be present, then that one shall have and may exercise all of the powers conferred by such written instrument upon all of the persons so designated unless the instrument shall otherwise provide. No proxy or power of attorney to vote shall be used to vote at a meeting of the Stockholders unless it shall have been filed with the secretary of the meeting. All questions regarding the qualification of voters, the validity of proxies and the acceptance or rejection of votes shall be decided by the inspectors of election who shall be appointed by the Board of Directors, or if not so appointed, then by the presiding Officer of the meeting.

### **ARTICLE II**

#### **DIRECTORS**

##### **SECTION 1**

Management of Corporation. The business of the Corporation shall be managed by its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the Stockholders.

##### **SECTION 2**

Number, Tenure, and Qualifications. The number of Directors which shall constitute the whole board shall be at least one. The number of Directors may from time to time be increased or decreased by directors' resolution to not less than one nor more than fifteen. The Directors shall be elected at the annual meeting of the Stockholders and except as provided in Section 2 of this Article, each Director elected shall hold office until his successor is elected and qualified. Directors need not be Stockholders.

##### **SECTION 3**

Vacancies. Vacancies in the Board of Directors including those caused by an increase in the number of Directors, may be filled by a majority of the remaining Directors, though not less than a quorum, or by a sole remaining Director, and each Director so elected shall hold office until his successor is elected at an annual or a special meeting of the Stockholders. The holders of two-thirds of the outstanding shares of Stock entitled to vote may at any time peremptorily terminate the term of office of all or any of the Directors by vote at a meeting called for such purpose. Such removal shall be effective immediately, even if successors are not elected simultaneously.

A vacancy or vacancies in the Board of Directors shall be deemed to exist in case of the death, resignation or removal of any Directors, or if the authorized number of Directors be increased, or if the Stockholders fail at any annual or special meeting of Stockholders at which any Director or Directors are elected to elect the full authorized number of Directors to be voted for at that meeting.

If the Board of Directors accepts the resignation of a Director tendered to take effect at a future time, the Board or the Stockholders shall have power to elect a successor to take office when the resignation is to become effective.

No reduction of the authorized number of Directors shall have the effect of removing any Director prior to the expiration of his term of office.

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#### SECTION 4

Annual and Regular Meetings. Regular meetings of the Board of Directors shall be held at any place within or outside the State which has been designated from time to time by resolution of the Board or by written consent of all members of the Board. In the absence of such designation regular meetings shall be held at the registered office of the Corporation. Special meetings of the Board may be held either at a place so designated or at the registered office.

Regular meetings of the Board of Directors may be held without call or notice at such time and at such place as shall from time to time be fixed and determined by all the Board of Directors.

#### SECTION 5

First Meeting. The first meeting of each newly elected Board of Directors shall be held immediately following the adjournment of the meeting of Stockholders and at the place thereof. No notice of such meeting shall be necessary to the Directors in order legally to constitute the meeting, provided a quorum be present. In the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors.

#### SECTION 6

Special Meetings. Special meetings of the Board of Directors may be called by the Chairman or the President or by any Vice President or by any one Director. Unless the board consists of 6 or more directors, in which case any two directors rather than one director may call a special meeting of the board.

Written notice of the time and place of special meetings shall be delivered personally to each Director, or sent to each Director by mail, facsimile transmission, electronic mail or by other form of written communication, charges prepaid, addressed to him at his address as it is shown upon the records or if such address is not readily ascertainable, at the place in which the meetings of the Directors are regularly held. In case such notice is mailed, it shall be deposited in the United States mail at least five (5) days prior to the time of the holding of the meeting. In case such notice is hand delivered, faxed or emailed as above provided, it shall be so delivered at least twenty-four (24) hours prior to the time of the holding of the meeting. Such mailing, faxing, emailing or delivery as above provided shall be due, legal and personal notice to such Director.

#### SECTION 7

Business of Meetings. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as if transacted at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice, or a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

#### SECTION 8

Quorum, Adjourned Meetings. A majority of the authorized number of Directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision (done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number be required by law or by the Articles of Incorporation. Any action of a majority, although not at a regularly called meeting, and the record thereof, if assented to in writing by all of the other members of the Board shall be as valid and effective in all respects as if passed by the Board in regular meeting.

A quorum of the Directors may adjourn any Directors meeting to meet again at a stated day and hour- provided, however, that in the absence of a quorum, a majority of the Directors present at any Directors meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Notice of the time and place of holding an adjourned meeting need to be given to the absent Directors if the time and place be fixed at the meeting adjourned.

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## SECTION 9

Committees. The Board of Directors may, by resolution adopted by a majority of the whole Board, designate one or more committees of the Board of Directors, each committee to consist of at least one or more of the Directors of the Corporation which, to the extent provided in the resolution, shall have and may exercise the power of the Board of Directors in the management of the business and affairs of the Corporation and may have power to authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by the Board of Directors. The members of any such committee present at any meeting and not disqualified from voting may, whether or not they constitute a quorum, unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. At meetings of such committees, a majority of the members or alternate members shall constitute a quorum for the transaction of business, and the act of a majority of the members or alternate members at any meeting at which there is a quorum shall be the act of the committee.

The committees shall keep regular minutes of their proceedings and report the same to the Board of Directors.

## SECTION 10

Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if a written consent thereto is signed by all members of the Board of Directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

## SECTION 11

Special Compensation. The Directors may be paid their expenses of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as Director. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like reimbursement and compensation for attending committee meetings.

## ARTICLE III

### NOTICES

#### SECTION 1

Notice of Meetings. Notices of meetings of Stockholders shall be in writing and signed by the President or a Vice President or the Secretary or an Assistant Secretary or by such other person or persons as the Directors shall designate. Such notice shall state the purpose or purposes for which the meeting of Stockholders is called and the time and the place, which may be within or without this State, where it is to be held. A copy of such notice shall be delivered personally to, sent by facsimile transmission or electronic mail or shall be mailed, postage prepaid, to each Stockholder of record entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before such meeting. If mailed, it shall be directed to a Stockholder at his address as it appears upon the records of the Corporation and upon such mailing of any such notice, the service thereof shall be complete and the time of the notice shall begin to run from the date upon which such notice is deposited in the mail for transmission to such Stockholder. Personal delivery of any such notice to any Officer of a Corporation or association, or to any member of a partnership shall constitute delivery of such notice to such Corporation, association or partnership. In the event of the transfer of Stock after delivery of such notice of and prior to the holding of the meeting it shall not be necessary to deliver or mail notice of the meeting to the transferee.

#### SECTION 2

Effect of Irregularly Called Meetings. Whenever 90% of the parties entitled to vote at any meeting, whether of Directors or Stockholders, consent, either by a writing on the records of the meeting or filed with the Secretary, or by presence at such meeting and oral consent entered on the minutes, or by taking part in the deliberations at such meeting without objection, the doings of such meeting shall be as valid as if had at a meeting regularly called and noticed, and at such meeting any business may be transacted which is not excepted from the written consent or to the consideration of which no objection for want of notice is made at the time, and if any meeting be irregular for want of notice or of such consent, provided a quorum was present at such meeting, the proceedings of said meeting may be ratified and approved and rendered likewise valid and the irregularity or defect therein waived by a writing signed by all parties having the right to vote at such meeting-, and such consent or approval of Stockholders may be by proxy or attorney, but all such proxies and powers of attorney must be in writing.

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### SECTION 3

Waiver of Notice. Whenever any notice whatever is required to be given under the provisions of the statutes, of the Articles of Incorporation or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

## ARTICLE IV

### OFFICERS

#### SECTION 1

Election. The Officers of the Corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer, none of whom need be Directors. Any person may hold two or more offices. The Board of Directors may appoint a Chairman of the Board, Vice Chairman of the Board, one or more Vice Presidents, Assistant Treasurers and Assistant Secretaries.

#### SECTION 2

Chairman of the Board. The Chairman of the Board shall preside at meetings of the Stockholders and the Board of Directors, and shall see that all orders and resolutions of the Board of Directors are carried into effect.

#### SECTION 3

Vice Chairman of the Board. The Vice Chairman shall, in the absence or disability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board and shall perform such other duties as the Board of Directors may from time to time prescribe.

#### SECTION 4

President. The President shall be the Chief Executive Officer of the Corporation and shall have active management of the business of the Corporation. He shall execute on behalf of the Corporation all instruments requiring such execution except to the extent the signing and execution thereof shall be expressly designated by the Board of Directors to some other Officer or agent of the Corporation.

#### SECTION 5

Vice President. The Vice President shall act under the direction of the President and in the absence or disability of the President shall perform the duties and exercise the powers of the President. They shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe. The Board of Directors may designate one or more Executive Vice Presidents or may otherwise specify the order of seniority of the Vice Presidents. The duties and powers of the President shall descend to the Vice Presidents in such specified order of seniority.

#### SECTION 6

Secretary. The Secretary shall act under the direction of the President. Subject to the direction of the President he shall attend all meetings of the Board of Directors and all meetings of the Stockholders and record the proceedings. He shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the Stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the President or the Board of Directors.

#### SECTION 7

Assistant Secretaries. The Assistant Secretaries shall act under the direction of the President. In order of their seniority, unless otherwise determined by the President or the Board of Directors, they shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary, They shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe.

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## SECTION 8

Treasurer. The Treasurer shall act under the direction of the President. Subject to the direction of the President he shall have custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the President or the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation

## SECTION 9

Assistant Treasurers. The Assistant Treasurers in the order of their seniority, unless otherwise determined by the President or the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer. They shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe.

## SECTION 10

Compensation. The salaries and compensation of all Officers of the Corporation shall be fixed by the Board of Directors.

## SECTION 11

Removal; Resignation. The Officers of the Corporation shall hold office at the pleasure of the Board of Directors. Any Officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise shall be filled by the Board of Directors.

## ARTICLE V

### CAPITAL STOCK

## SECTION 1

Certificates. Every Stockholder shall be entitled to have a certificate signed by the President or a Vice President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation. If the Corporation shall be authorized to issue more than one class of Stock or more than one series of any class, the designations, preferences and relative, participating, optional or other special rights of the various classes of Stock or series thereof and the qualifications, limitations or restrictions of such rights, shall be set forth in full or summarized on the face or back of the certificate, which the Corporation shall issue to represent such Stock.

If a certificate is signed (1) by a transfer agent other than the Corporation or its employees or (2) by a registrar other than the Corporation or its employees, the signatures of the Officers of the Corporation may be facsimiles. In case any Officer who has signed or whose facsimile signature has been placed upon a certificate shall cease to be such Officer before such certificate is issued, such certificate may be issued with the same effect as though the person had not ceased to be such Officer. The seal of the Corporation, or a facsimile thereof, may, but need not be, affixed to certificates of Stock.

## SECTION 2

Surrendered, Lost or Destroyed Certificates. The Board of Directors may direct a certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or destroyed upon the making of an affidavit of that fact by the person claiming the certificate of Stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

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### SECTION 3

Replacement Certificates. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation, if it is satisfied that all provisions of the laws and regulations applicable to the Corporation regarding transfer and ownership of shares have been complied with, to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

### SECTION 4

Record Date. The Board of Directors may fix in advance a date not exceeding sixty (60) days nor less than ten (10) days preceding the date of any meeting of Stockholders, or the date for the payment of any distribution, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital Stock shall go into effect, or a date in connection with obtaining the consent of Stockholders for any purpose, as a record date for the determination of the Stockholders entitled to notice of and to vote at any such meeting, and any adjournment thereof, or entitled to receive payment of any such distribution, or to give such consent, and in such case, such Stockholders, and only such Stockholders as shall be Stockholders of record on the date so fixed, shall be entitled to notice of and to vote at such meeting, or any adjournment thereof, or to receive payment of such distribution, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any Stock on the books of the Corporation after any such record date fixed as aforesaid.

### SECTION 5

Registered Owner. The Corporation shall be entitled to recognize the person registered on its books as the owner of shares to be the exclusive owner for all purposes including voting and distribution, and the Corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Nevada.

## ARTICLE I

### GENERAL PROVISIONS

#### SECTION 1

Registered Office. The registered office of this Corporation shall be in the State of Nevada.

The Corporation may also have offices at such other places both within and outside the State of Nevada as the Board of Directors may from time to time determine or the business of the Corporation may require.

#### SECTION 2

Distributions. Distributions upon capital stock of the Corporation, subject to the provisions of the Articles of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Distributions may be paid in cash, in property or in shares of capital stock, subject to the provisions of the Articles of Incorporation.

#### SECTION 3

Reserves. Before payment of any distribution, there may be set aside out of any funds of the Corporation available for distributions such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing distributions or for repairing or maintaining any property of the Corporation or for such other purpose as the Directors shall think conducive to the interest of the Corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created.

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#### SECTION 4

Checks; Notes. All checks or demands for money and notes of the Corporation shall be signed by such Officer or Officers or such other person or persons as the Board of Directors may from time to time designate.

#### SECTION 5

Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

#### SECTION 6

Corporate Seal. The Corporation may or may not have a corporate seal, as may from time to time be determined by resolution of the Board of Directors. If a corporate seal is adopted, it shall have inscribed thereon the name of the Corporation and the words "Corporate Seal" and "Nevada". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

### ARTICLE II

#### INDEMNIFICATION

##### SECTION 1

Indemnification of Officers and Directors, Employees and Other Persons. Every person who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or a person of whom he is the legal representative is or was a Director or Officer of the Corporation or is or was serving at the request of the Corporation or for its benefit as a Director or Officer of another Corporation, or as its representative in a partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless to the fullest extent legally permissible under the general Corporation law of the State of Nevada from time to time against all expenses, liability and loss (including attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by him in connection therewith. The expenses of Officers and Directors incurred in defending a civil or criminal action, suit or proceeding must be paid by the Corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding upon receipt of an undertaking by or on behalf of the Director or Officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the Corporation. Such right of indemnification shall be a contract right which may be enforced in any manner desired by such person. Such right of indemnification shall not be exclusive of any other right which such Directors, Officers or representatives may have or hereafter acquire and, without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under any bylaw, agreement, vote of Stockholders, provision of law or otherwise, as well as their rights under this Article.

##### SECTION 2

Insurance. The Board of Directors may cause the Corporation to purchase and maintain insurance on behalf of any person who is or was a Director or Officer of the Corporation, or is or was serving at the request of the Corporation as a Director or Officer of another Corporation, or as its representative in a partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred in any such capacity or arising out of such status, whether or not the Corporation would have the power to indemnify such person.

##### Section 3

Further Bylaws. The Board of Directors may from time to time adopt further Bylaws with respect to indemnification and may amend these and such Bylaws to provide at all times the fullest indemnification permitted by the General Corporation Law of the State of Nevada.

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ARTICLE III

AMENDMENTS

SECTION 1

Amendments by Stockholders. The Bylaws may be amended by a majority vote of all the Stock issued and outstanding and entitled to vote for the election of Directors of the Stockholders, provided notice of intention to amend shall have been contained in the notice of the meeting.

SECTION 2

Amendments by Board of Directors. The Board of Directors by a majority vote of the whole Board at any meeting may amend these Bylaws, including Bylaws adopted by the Stockholders, but a 66% majority vote of the Stockholders may from time to time specify particular provisions of the Bylaws, which shall not be amended by the Board of Directors.

APPROVED AND ADOPTED this 9<sup>TH</sup> day of February, 2012.

/s/ Zami Aberman (Sign)

Zami Aberman

President

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**Summary of an Agreement for Design and Construction of a Manufacturing Facility of Bio-pharmaceutical Products Dated October 30, 2011**

1. **Parties:** Pluristem Ltd. ("Pluristem") and Biopharmax Group (1996) Ltd. (the "Contractor").
  2. **Signing Date:** October 24, 2011.
  3. **The Project:** The Contractor is required to design and construct Pluristem's new manufacturing facility, in a space to be leased as of January 2012, as a turn key project (the "Project") that will meet the requirements of the U.S., Canadian, Israeli and European regulatory authorities and current Good Manufacturing Practices (cGMP).
  4. **Expected Completion:** The Project is planned to be completed in the fourth calendar quarter of 2012. The Contractor is required to pay certain penalties for not meeting the time schedule agreed between the parties.
  5. **Consideration:** the Contractor is eligible to receive aggregate consideration of NIS 22,800,000 (approximately \$6,246,575 based on current exchange ratio of \$1=NIS3.65) plus value added tax (the "Consideration").
  6. **Equity Consideration:** Pluristem has the option to pay a certain portion of the Consideration in up to 2,000,000 shares of Common Stock of the registrant (the "Shares"). The net cash consideration received by Contractor from the immediate sale of the Shares shall be deducted from the Consideration. In the event that Contractor elects to hold the Shares rather than selling them, the value of the Shares based on the closing price of the registrant's shares of Common Stock on Nasdaq on the date in which the Shares have been issued to Contractor shall be deducted from the Consideration.
  7. **Termination:** Pluristem may terminate the Agreement at any time by a written notice to the Contractor. In case of termination by Pluristem for convenience, Pluristem shall be required to pay penalty of \$250,000 in addition to the payment for the services provided by the Contractor prior to the termination date.
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CERTIFICATION

I, Zami Aberman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pluristem Therapeutics Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15d-15(f)) of the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2012

/s/ Zami Aberman

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Zami Aberman  
President and Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION**

I, Yaky Yanay, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pluristem Therapeutics Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15d-15(f)) of the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2012

/s/ Yaky Yanay

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Yaky Yanay  
Chief Financial Officer and Secretary  
(Principal Financial Officer)



CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350

In connection with the Quarterly Report (the "Report") of Pluristem Therapeutics Inc. (the "Company") on Form 10-Q for the period ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof, I, Zami Aberman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2012

By: /s/ Zami Aberman

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Zami Aberman  
Chief Executive Officer

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CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350

In connection with the Quarterly Report (the "Report") of Pluristem Therapeutics Inc. (the "Company") on Form 10-Q for the period ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof, I, Yaky Yany, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2012

By: /s/ Yaky Yanay

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Yaky Yanay  
Chief Financial Officer

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