PLURISTEM LIFE SYSTEMS INC
Form 10QSB
May 21, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended **March 31, 2007**

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

For the transition period from __________ to __________

Commission file number **001-31392**

PLURISTEM LIFE SYSTEMS, INC.

(Exact name of small business issuer as specified in its charter)

Nevada	**98-0351734**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

MATAM Advanced Technology Park, Building No. 20, Haifa, Israel 31905
(Address of principal executive offices)

011-972-4-850-1080
(Issuer's telephone number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 [X] No [ ]

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date 840,409,801 common shares issued and outstanding as of May 21, 2007

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

It is the opinion of management that the consolidated interim financial statements for the quarter ended March 31, 2007, include all adjustments necessary in order to ensure that the consolidated interim financial statements are not misleading.

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2007

IN U.S. DOLLARS

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2007

IN U.S. DOLLARS

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PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

CONSOLIDATED BALANCE SHEET (UNAUDITED)
In U.S. Dollars

		March 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	4,561,645
Prepaid expenses		56,808
Other accounts receivables		290,931
Total current assets		4,909,384
LONG-TERM RESTRICTED LEASE DEPOSIT		51,599
SEVERANCE PAY FUND		77,364
PROPERTY AND EQUIPMENT, NET		411,630
Total assets	$	5,449,977

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

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

CONSOLIDATED BALANCE SHEET (UNAUDITED)
In U.S. Dollars

		March 31, 2007
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Trade payables	$	354,820
Accrued expenses		175,388
Other accounts payable		2,155,279
Total current liabilities		2,685,487
LONG-TERM LIABILITIES		
Accrued severance pay		94,784
STOCKHOLDERS EQUITY		
Share capital:		
Common stock $0.00001 par value:		
Authorized: 1,400,000,000 shares		
Issued and Outstanding: 275,804,451 shares		2,757
Additional paid-in capital		10,444,802
Receipts on account of shares		4,200,000
Deficit accumulated during the development stage		(11,977,853)
		2,669,706
	$	5,449,977

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

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
In U.S. Dollars (except share and per share data)

	Nine Month Period Ended March 31, 2007	Nine Month Period Ended March 31, 2006	Three Month Period Ended March 31, 2007	Three Month Period Ended March 31, 2006	Period From May 11, 2001 (Inception) Through March 31, 2007
Research and development costs, net	$ 3,340,666	$ 867,843	$ 2,792,277	$ 347,665	$ 7,429,627
General and administrative expenses	1,997,985	666,105	1,136,098	253,426	6,191,894
In-process research and development write-off	-	-	-	-	246,470
	5,338,651	1,533,948	3,928,375	601,091	13,867,991
Financial expenses (income), net	(449,878)	(44,200)	(5,843)	27,491	(1,890,138)
Net loss for the period	$ 4,888,773	$ 1,489,748	$ 3,922,532	$ 628,582	$ 11,977,853
Basic and diluted net loss per share	$ (0.026)	$ (0.03)	$ (0.015)	$ (0.01)	
Weighted average number of shares used in computing basic and diluted net loss per share:	190,129,562	50,180,355	267,818,552	63,740,816	

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

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PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIENCY) (UNAUDITED)
In U.S. Dollars (except shares data)

	Common Stock Shares	Common Stock Amount	Additional paid-in Capital	Receipts On account of shares	Deficit Accumulated during the Development Stage	Total Stockholders Equity (Deficiency)
Issuance of common stock on July 9, 2001	35,000,000	$ 350	$ 2,150	$ -	$ -	$ 2,500
Balance as of June 30, 2001	35,000,000	350	2,150	-	-	2,500
Net loss	-	-	-	-	(77,903)	(77,903)
Balance as of June 30, 2002	35,000,000	350	2,150	-	(77,903)	(75,403)
Issuance of common stock on October 14, 2002,						
Net of issuance expenses of $17,359	14,133,000	141	83,450	-	-	83,591
Forgiveness of debt	-	-	11,760	-	-	11,760
Stocks cancelled on March 19, 2003	(27,300,000)	(273)	273	-	-	-
Receipts on account of stock and warrants, net						
of finders and legal fees of $56,540	-	-	-	933,464	-	933,464
Net loss	-	-	-	-	(462,995)	(462,995)
Balance as of June 30, 2003	21,833,000	$ 218	$ 97,633	$ 933,464	$ (540,898)	$ 490,417

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

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIENCY) (UNAUDITED)
In U.S. Dollars (except share and per share data)

	Common Stock		Additional paid-in	Receipts on account	Deficit accumulated During the development	Total Shareholders Equity
	Shares	Amount	Capital	of shares	stage	(Deficiency)
Balance as of July 1, 2003	21,833,000	$ 218	$ 97,633	$ 933,464	$ (540,898)	$ 490,417
Issuance of common stock on July 16, 2003, net of issuance expenses of $70,110	725,483	7	1,235,752	(933,464)	-	302,295
Issuance of common stock on January 20, 2004	3,000,000	30	-	-	-	30
Issuance of warrants on January 20, 2004 for finder s fee	-	-	192,000	-	-	192,000
Common stock granted to consultants on February 11, 2004	1,000,000	10	799,990	-	-	800,000
Stock based compensation related to warrants granted to consultants on December 31, 2003	-	-	357,618	-	-	357,618
Exercise of warrants on April 19, 2004	300,000	3	224,997	-	-	225,000
Net loss for the year	-	-	-	-	(2,010,350)	(2,010,350)
Balance as of June 30, 2004	26,858,483	$ 268	$ 2,907,990	$ -	$ (2,551,248)	$ 357,010

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

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIENCY) (UNAUDITED)
In U.S. Dollars (except share and per share data)

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Deficit accumulated During the development stage	Total Shareholders Equity (Deficiency)
Balance as of July 1, 2004	26,858,483	$ 268	$ 2,907,990	$ (2,551,248)	$ 357,010
Stock-based compensation related to warrants granted to consultants on September 30, 2004	-	-	161,641	-	161,641
Issuance of common stock and warrants on November 30, 2004 related to the October 2004 Agreement net of issuance costs of $28,908	3,250,000	33	296,059	-	296,092
Issuance of common stock and warrants on January 26, 2005 related to the October 2004 Agreement net of issuance costs of $4,975	4,300,000	43	424,982	-	425,025
Issuance of common stock and warrants on January 31, 2005 related to the January 31, 2005 Agreement	7,000,000	70	-	-	70
Issuance of common stock and options on February 15, 2005 to former director of the Company	50,000	(*)	14,500	-	14,500
Issuance of common stock and warrants on February 16, 2005 related to the January 31, 2005 Agreement	5,000,000	50	-	-	50

(*) Less then one dollar

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

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIENCY) (UNAUDITED)
In U.S. Dollars (except share and per share data)

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Deficit accumulated During the development stage	Total Shareholders Equity (Deficiency)
Issuance of warrants on February 16, 2005 for finder fee related to the January 31, 2005 Agreement	-	-	144,000	-	144,000
Issuance of common stock and warrants on March 3, 2005 related to the January 24, 2005 Agreement net of issuance costs of $24,000	12,000,000	120	1,175,880	-	1,176,000
Issuance of common stock on March 3, 2005 for finder fee related to the January 24, 2005 Agreement	1,845,000	18	(18)	-	-
Issuance of common stock and warrants on March 3, 2005 related to the October 2004 Agreement net of issuance costs of $6,038	750,000	8	68,954	-	68,962
Issuance of common stock and warrants to the Chief Executive Officer on March 23, 2005	2,400,000	24	695,976	-	696,000
Issuance of common stock on March 23, 2005 related to the October 2004 Agreement	200,000	2	19,998	-	20,000

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

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIENCY) (UNAUDITED)
In U.S. Dollars (except share and per share data)

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Deficit accumulated during the development stage	Total Shareholders Equity (Deficiency)
Classification of a liability in respect of warrants to additional paid in capital, net of issuance costs of $ 178,116	-	-	541,884	-	541,884
Net loss for the year	-	-	-	(2,098,108)	(2,098,108)
Balance as of June 30, 2005	63,653,483	636	6,451,846	(4,649,356)	1,803,126
Exercise of warrants on November 28, 2005 to finders related to the January 24, 2005 agreement	80,000	(*)	-	-	-
Exercise of warrants on January 25 ,2006 To finders related to the January 25, 2005 Agreement	10,000	(*)	-	-	-
Reclassification of warrants from equity To liabilities due to application of EITF 00-19 (**)	-	-	(7,632)	-	(7,632)
Net loss for the year	-	-	-	(2,439,724)	(2,439,724)
Balance as of June 30, 2006	63,743,483	$ 636	$ 6,444,214	$ (7,089,080)	$ (644,230)

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

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIENCY) (UNAUDITED)
In U.S. Dollars (except share and per share data)

	Common Stock		Additional paid-in	Receipts On Account	Deficit accumulated during the development	Total Shareholders Equity
	Shares	Amount	capital	of Shares	stage	(Deficiency)
Balance as of July 1, 2006	63,743,483	$ 636	$ 6,444,214	-	$ (7,089,080)	$ (644,230)
Conversion of convertible debenture, net of issuance costs	203,952,201	2,040	1,785,044	-	-	1,787,084
Classification of a liability in respect of warrants to additional paid in capital	-	-	359,658	-	-	359,658
Classification of deferred issuance expenses to additional paid in capital	-	-	(378,708)	-	-	(378,708)
Classification of a liability in respect of options granted to consultants	-	-	116,371	-	-	116,371
Compensation related to options granted to employees	-	-	1,151,991	-	-	1,151,991
Compensation related to options granted to consultants	-	-	358,155	-	-	358,155
Exercise of warrants related to the April 3, 2006 issuance.	8,108,767	81	608,077	-	-	608,158
Receipts on account of stock and warrants	-	-	-	4,200,000	-	4,200,000
Net loss for the period	-	-	-	-	(4,888,773)	(4,888,773)
Balance as of March 31, 2007	275,804,451	$ 2,757	$ 10,444,802	4,200,000	$ (11,977,853)	$ 2,669,706

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

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
In U.S. Dollars

	Nine months ended March 31, 2007	Nine months ended March 31, 2006	Period from May 11, 2001 (inception) through March 31 2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (4,888,773)	$ (1,489,748)	$ (11,977,853)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	38,732	31,528	225,301
Capital gain	20,053	-	3,680
Impairment of know-how	-	-	264,807
Amortization of deferred issuance costs	168,228	104,802	593,370
Stock-based compensation to employees	1,151,991	-	1,151,991
Stock-based compensation to consultants	358,155	48,182	1,539,287
In-process research and development write-off	-	-	246,470
Know-how licensors imputed interest	-	18,791	54,600
Salary grant in shares and warrants	-	-	710,500
Decrease (increase) in accounts receivable	(189,861)	51,014	(282,096)
Decrease in prepaid expenses	5,515	(17,081)	33,192
Increase in trade payables	69,718	2,588	345,414
Increase (decrease) in other accounts payable and accrued expenses	2,100,139	(51,245)	1,797,808
Increase in accrued interest due to related parties	-	-	3,450
Linkage differences and interest on long-term restricted lease deposit	-	50	(2,164)
Change in fair value of liability in respect of warrants	(716,214)	(150,000)	(2,539,177)
Amortization of discount and accrued interest on convertible debentures	161,332	-	161,332
Accrued severance pay, net	(2,275)	7,165	17,420
Net cash used in operating activities	(1,723,260)	(1,443,954)	(7,652,668)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of Pluristem Ltd. (1)	-	-	31,899
Purchase of property and equipment	(216,438)	(36,006)	(459,210)
Proceed from sale of property and equipment	717	-	29,192
Purchase of long-term restricted lease deposit	(22,934)	(3,653)	(50,479)
Repayment of long-term restricted lease deposit	-	-	19,851
Purchase of know-how	-	-	(100,000)
Net cash used in investing activities	(238,655)	(39,659)	(528,747)
CASH FLOWS FROM FINANCING ACTIVITIES:			

Issuance of common stock, net of issuance costs	-	-	4,686,209
Issuance of warrants	-	-	1,246,397
Exercise of warrants	608,158	-	608,158
Issuance of convertible debenture	-	-	2,734,012
Issuance expenses related to convertible debentures	(440,000)	-	(440,000)
Short-term bank credit, net	-	-	(26)
Receipt on account of stock and warrants	4,200,000	-	4,200,000
Repayment of know-how licensors	(218,750)	-	(300,000)
Repayment of notes and loan payable to related parties	-	-	(69,885)
Proceeds from notes and loan payable to related parties	-	-	78,195
Net cash provided by financing activities	4,149,408	-	12,743,060

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

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
In U.S. Dollars

	Nine months ended March 31, 2007	Nine months ended March 31, 2006	Period from May 11, 2001 (inception) through March 31 2007
Increase (decrease) in cash and cash equivalents	2,187,493	(1,483,613)	4,561,645
Cash and cash equivalents at the beginning of the period	2,374,152	1,889,438	-
Cash and cash equivalents at the end of the period	$ 4,561,645	$ 405,825	$ 4,561,645
Non-cash investing and financing information:			
Classification of liabilities and deferred issuance expenses into equity	$ 97,321	$ -	$ 97,321
Conversion of convertible debenture	$ 2,227,084	$ -	$ 2,227,084
(1) Acquisition of Pluristem Ltd.			
Fair value of assets acquired and liabilities assumed at the acquisition date:			
Working capital (excluding cash and cash equivalents)			$ (427,176)
Long-term restricted lease deposit			18,807
Property and equipment			130,000
In-process research and development write-off			246,470
			$ (31,899)

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

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PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In U.S. Dollars
NOTE 1: - GENERAL

a. Pluristem Life Systems Inc. (the Company), a Nevada Corporation, was incorporated and commenced operations on May 11, 2001. The Company has a wholly owned subsidiary, Pluristem Ltd. (the subsidiary) that was incorporated under the laws of Israel and began its activity in January 2004.

b. The Company is devoting substantially all of its efforts towards conducting research and development of critical cell expansion services to cord blood banks. In the course of such activities, the Company and its subsidiary have sustained operating losses and expect such losses to continue in the foreseeable future. The Company and its subsidiary have not generated any revenues or product sales and have not achieved profitable operations or positive cash flows from operations. The Company s deficit accumulated during the development stage aggregated to $11,977,853 through March 31, 2007. 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 a combination of stock issuance and private placements and in the longer term, revenues from product sales. There are no assurances, however, that the Company will be successful in obtaining an adequate level of financing needed for the long- term development and commercialization of its planned products.

These conditions raise substantial doubt about the Company s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might arise from this uncertainty, relating to the recoverability and classification of recorded assets amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

c. The accompanying unaudited interim consolidated financial statements have been prepared as of March 31, 2007, in accordance with United States generally accepted accounting principles relating to the preparation of financial statements for interim periods. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month and nine-month periods ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ended June 30, 2007.

d. On May 7, 2007, the Company s shares have begun trading on Europe's Frankfurt Stock Exchange, under the symbol PJT.

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In U.S. Dollars
NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

a. The significant accounting policies followed in the preparation of these financial statements are identical to those applied in the preparation of the latest annual financial statements except as detailed in b below.

b. On July 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)") which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payment awards made to employees and directors. SFAS 123(R) supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), for periods beginning in fiscal 2006. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 ("SAB 107") relating to SFAS 123(R). The Company has applied the provisions of SAB 107 in its adoption of SFAS 123(R).

SFAS 123(R) requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated income statement. Prior to the adoption of SFAS 123(R), the Company accounted for equity-based awards to employees and directors using the intrinsic value method in accordance with APB 25 as allowed under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123").

The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard starting from July 1, 2006, the first day of the Company's fiscal year 2006. Under that transition method, compensation cost recognized in the nine months period ended March 31, 2007, includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of July 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of Statement 123, and (b) compensation cost for all share-based payments granted subsequent to July 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of Statement 123(R). Results for prior periods have not been restated.

The Company recognizes compensation expenses for the value of its awards, which have graded vesting based on the straight line method over the requisite service period of each of the awards.

As a result of adopting SFAS 123(R) as of July 1, 2006, the Company's net income for the nine months ended March 31, 2007, is $71,599 lower than if it had continued to account for stock-based compensation under APB 25. Basic and diluted net loss per share for the nine months ended March 31, 2007, are $0.0004 lower, than if the Company had continued to account for share- based compensation under APB 25.

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In U.S. Dollars
NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

b. (Cont.):

Prior to July 1, 2006, the Company applied the intrinsic value method of accounting for stock options as prescribed by APB 25, whereby compensation expense is equal to the excess, if any, of the quoted market price of the stock over the exercise price at the grant date of the award.

The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option-pricing model. The option-pricing model requires a number of assumptions, of which the most significant are, expected stock price volatility, and the expected option term. Expected volatility was calculated based upon actual historical stock price movements over the most recent periods ending on the grant date, equal to the expected option term. The expected option term represents the period that the Company's stock options are expected to be outstanding and was determined based on historical experience of similar options, giving consideration to the contractual terms of the stock options. The Company has historically not paid dividends and has no foreseeable plans to issue dividends. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term.

The fair value of the Company's stock options granted to employees and directors for the nine months ended March 31, 2007 and 2006 was estimated using the following weighted average assumptions:

	Nine months ended March 31,	
	2007 Unaudited	2006
Risk free interest rate	4.3-4.8%	4.2%
Dividend yields	0%	0%
Volatility	105-124%	105%
Expected term (in years)	6	6

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In U.S. Dollars
NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

b. (Cont.):

The following table illustrates the effect on net loss and net loss per share, assuming that the Company had applied the fair value recognition provision of SFAS No. 123 on its stock-based employee compensation:

	Nine months ended March 31 2006	Three months ended March 31 2006	Period from May 11, 2001 (Inception) through March 31 2007
Net loss available to Common stock as Reported	$ 1,489,748	$ 628,582	$ 11,977,853
Deduct- stock-based employee compensation- intrinsic value	-	-	(26,393)
Add - stock based employee compensation - fair value	290,646	233,748	981,578
Pro forma net loss	$ 1,780,394	$ 862,330	$ 12,933,038
Basic and diluted net loss per stock as reported	$ (0.03)	$ (0.01)	
Basic and diluted pro forma net loss per stock	$ (0.04)	$ (0.01)	

For purposes of this pro-forma disclosure, the value of the options is estimated using a Black-Scholes option pricing formula and amortized to expense over the options vesting period. The assumptions used in the calculation are as follows:

Employee stock options	**Nine months ended March 31, 2007 Unaudited**

Expected volatility	105%-114%
Risk-free interest	4.76%
Dividend yield	0%
Expected life of up to (years)	6

PLURISTEM LIFE SYSTEMS INC. AND ITS SUBSIDIARY
(A Development Stage Company)
(Previous Name - A. I. SOFTWARE INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In U.S. Dollars
NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

c. Recently issued accounting pronouncements:

1. FASB Interpretation No. 48:

In July 2006, the FASB issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 utilizes a two-step approach for evaluating tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) is only addressed if step one has been satisfied (i.e., the position is more-likely-than-not to be sustained). Under step two , the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis that is more-likely-than-not to be realized upon ultimate settlement.

FIN 48 applies to all tax positions related to income taxes subject to the Financial Accounting Standard Board Statement No. 109, "Accounting for income taxes" ("FAS 109"). This includes tax positions considered to be "routine" as well as those with a high degree of uncertainty.

FIN 48 has expanded disclosure requirements, which include a tabular roll forward of the beginning and ending aggregate unrecognized tax benefits as well as specific detail related to tax uncertainties for which it is reasonably possible the amount of unrecognized tax benefit will significantly increase or decrease within twelve months. These disclosures are required at each annual reporting period unless a significant change occurs in an interim period.

FIN 48 is effective for fiscal years beginning after December 15, 2006. The cumulative effect of applying FIN 48 will be reported as an adjustment to the opening balance of retained earnings. The Company does not expect that the adoption of FIN 48 will have a significant impact on the Company's financial position and results of operations.

2. SFAS No. 157:

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements ("SFAS No. 157"). This statement provides a single definition of fair value, a framework for measuring fair value, and expanded disclosures concerning fair value. Previously, different definitions of fair value were contained in various accounting pronouncements creating inconsistencies in measurement and disclosures. SFAS No. 157 applies under those previously issued pronouncements that prescribe fair value as the relevant measure of value, except SFAS No. 123(R) and related interpretations. The statement does not apply to accounting standard that require or permit measurement similar to fair value but are not intended to represent fair value. This pronouncement is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS 157.

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NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

c. Recently issued accounting pronouncements (Cont.):

3. SFAS No. 159:

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. This statement provides companies with an option to report selected financial assets and liabilities at fair value. Generally accepted accounting principles have required different measurement attributes for different assets and liabilities that can create artificial volatility in earnings. The Standard s objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. This Statement is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS 159.

4. Staff Accounting Bulletin No. 108:

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 ("SAB 108") Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, that provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. The SEC staff believes that registrants should quantify errors using both a balance sheet and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. This pronouncement is effective for fiscal years ending after November 15, 2006. The Company is currently evaluating the provisions of SAB 108.

NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS

a. The Company's authorized common stock consists of 1,400,000,000 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 common stocks are registered and publicly traded on the Over-the-Counter Bulletin Board service of the National Association of Securities Dealers, Inc. under the symbol PLRS.OB.

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

b. On July 9, 2001, the Company issued 35,000,000 shares of common stock in consideration for $2,500, which was received on July 27, 2001.

On October 14, 2002, the Company issued 14,133,000 shares of common stock at a price of $0.007 per common share in consideration for $100,950 before offering costs of $17,359.

c. On March 19, 2003, two directors each returned 13,650,000 shares of common stock with a par value of $0.01 per share, for cancellation for no consideration.

d. On March 27, 2003 the Company's Board of Directors authorized a 14:1 split of the common stock. Accordingly, all references to number of shares, common stock and per share data in the accompanying financial statements have been adjusted to reflect the stock split on a retroactive basis.

e. In July 2003, the Company issued an aggregate of 725,483 units comprised of 725,483 common stock and 1,450,966 warrants to a group of investors, for total consideration of $1,235,752 (net of issuance costs of $70,110), under a private placement. The consideration was paid partly in the year ended June 30, 2003 ($933,464) and the balance was paid in the year ended June 30, 2004.

In this placement each unit was comprised of one common stock and two warrants, the first warrant is exercisable for one common stock at a price of $2.25 per stock, and may be exercised within one year. The second warrant is exercisable for one common stock at a price of $2.70 per stock, and may be exercised within five years. As of June 30, 2005, 725,483 warrants were expired unexercised.

f. On January 20, 2004, the Company consummated a private equity placement with a group of investors (the "investors"). The Company issued 3,000,000 units in consideration for net proceeds of $1,272,790 (net of issuance costs of $227,210), each unit is comprised of 3,000,000 common stock and 3,000,000 warrants. Each warrant is exercisable into one common stock at a price of $0.75 per stock, and may be exercised until January 31, 2007. On March 18, 2004, a registration statement on Form SB-2 has been declared affective and the above- mentioned common stocks have been registered for trading. If the effectiveness of the Registration Statement is suspended subsequent to the effective date of registration (March 18, 2004), for more than certain permitted periods, as described in the private equity placement agreement, the Company shall pay penalties to the investors in respect of the liquidated damages.

According to EITF 00-19, "Accounting for derivative financial instruments indexed to, and potentially settled in, a Company's own stock", the Company classified the warrants as liabilities according to their fair value as remeasured at each reporting period until exercised or expired. Changes in the fair value of the warrants were reported in the statements of operations as financial income or expense.

The Company allocated the gross amount received of $1.5 million to the par value of the shares issued ($30) and to the liability in respect of the warrants issued ($1,499,970). The amount allocated to the liability was less than the fair value of the warrants at grant date. On January 31, 2007 all the warrants were expired unexercised.

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

f. (Cont.):

In addition, the Company issued 300,000 warrants to finders in connection with this private placement, exercisable into 300,000 common shares at a price of $0.75 per common share until January 31, 2007. The fair value of the warrants issued in the amounts of $192,000 was recorded as deferred issuance costs and is amortized over a period of 3 years. On April 19, 2004, the finders exercised the warrants.

g. In October 2004 the Company commenced a private placement offering (the October 2004 Agreement) according to which it issued 8,500,000 units. Each unit is compromised of one common stock and one warrant. The warrant is exercisable for one common stock at an exercise price of $0.30 per stock, subject to certain adjustments. The units were issued as follows:

In November 2004, the Company issued according to the October 2004 Agreement 3,250,000 units comprised of 3,250,000 common stock and 3,250,000 warrants to a group of investors, for total consideration of $296,092 (net of cash issuance costs of $28,908), and additional 120,000 warrants to finders as finders fee.

In January 2005 the Company issued according to the October 2004 Agreement an additional 4,300,000 units for total consideration of $425,025 (net of cash issuance costs of $4,975), and additional 90,000 warrants were issued to finders as finders fee.

In March 2005 the Company issued according to the October 2004 Agreement additional 750,000 units for total consideration of $68,962 (net of cash issuance costs of $6,038), and additional 35,000 warrants were issued to finders as finders fee.

In March 2005 the Company issued, according to the October 2004 Agreement 200,000 common shares and 200,000 share purchase warrants to one investor for total consideration of $20,000 which were paid to the Company in May 2005.

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

h. On January 24, 2005 the Company commenced a private placement offering (the January 24, 2005 Agreement) which was closed on March 3, 2005 and issued 12,000,000 units in consideration for $1,176,000 (net of cash issuance costs of $24,000). Each unit is compromised of one common stock and one warrant. The warrant is exercisable for one common stock at a price of $0.30 per stock. On November 30, 2006, all the warrants were expired unexercised. Under this agreement the Company issued to finders 1,845,000 shares and 475,000 warrants with exercise price of $2.5 per stock exercisable until November 2007.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In U.S. Dollars
NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

i. On January 31, 2005, the Company consummated a private equity placement offering (the January 31, 2005 Agreement) with a group of investors (the "Investors") according to which it issued 12,000,000 units in consideration for net proceeds of $1,137,000 (net of issuance costs of $63,000). Each unit is comprised of one common stock and one warrant. Each warrant is exercisable into one common stock at a price of $0.30 per stock. If the Registration Statement covering the Registrable Securities was not filed as contemplated by 70 days and if the Registration Statement covering the Registrable Securities was not effective until August 31, 2005, The Company would have paid the Investor 2% of the purchase price for each 30 day period beyond the applicable date until the filing or the registration is completed. The January 31, 2005 Agreement includes a finder s fee of a cash amount equal to 5% of the amount invested ($60,000) and issuance of warrants for number of shares equal to 5% of the number of shares that were issued (600,000) with an exercise price of $0.1 per stock, subject to certain adjustments, exercisable until November 30, 2006.

According to EITF 00-19, "Accounting for derivative financial instruments indexed to, and potentially settled in, a Company's own stock", the Company classified the warrants as liabilities according to their fair value as remeasured at each reporting period until exercised or expired. Changes in the fair value of the warrants will be reported in the statements of operations as financial income or expense.

As of the date of the issuance the Company allocated the gross amount received of $1,200,000 to the par value of the shares issued ($120) and to the liability in respect of the warrants issued ($1,199,880). Issuance expenses in the amount of $63,000 and finders fee in the amount of $144,000 were recorded as deferred issuance costs. The amount allocated to the liability was less than the fair value of the warrants at grant date. On May 13, 2005 the Registration Statement became effective and the Company became no longer under possible penalties. As such, the liability and the deferred issuance costs related to the agreement has been classified to the Stockholders Equity as Additional Paid in Capital. As of May 13, 2005, the fair value of the liability in respect of the warrants issued was $720,000 and the amount of the deferred issuance costs was $178,116.

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

j. On March 23, 2005, the Company issued 2,400,000 shares of common stock and 2,400,000 options as a bonus to the chief executive officer, Dr. Shai Meretzki, in connection with the issuance of a Notice of Allowance by the United States Patent Office for patent application number 09/890,401. Salary expenses of $696,000 were recognized in respect of this bonus based on the quoted market price of the Company's stock and the fair value of the options granted using the Black Scholes valuation model. On November 30, 2006, all the warrants were expired unexercised.

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

k. On February 11, 2004, the Company issued an aggregate amount of 1,000,000 common stock to a consultant and service provider as compensation for carrying out investor relations activities during the year 2004. Total compensation, measured as the grant date fair market value of the stock, amounted to $800,000 and was recorded as an operating expense in the statement of operations in the year ended June 30, 2004.

l. On November 28, 2005, 80,000 warrants, which were issued to finders as finder fees in related to the January 24, 2005 Agreement , were exercised to shares.

m. On January 25, 2006, 10,000 warrants, which were issued to finders as finder fees in related to the January 24, 2005 Agreement , were exercised to 25shares.

n. Till November 9, 2006 all of the convertible debentures, which were issued on April 3, 2006, were converted into 193,952,201 shares. As a result an amount of $ 1,787,084 was reclassified into common stock and additional paid-in capital as follow: from conversion of the feature embedded in convertible debenture ($1,951,466), convertible debenture ($201,974), accrued interest ($73,644) net of issuance expenses in the amount of $440,000. In addition, the warrants and options to consultants in the amount of $476,029 and deferred issuance expenses in the amount of $378,708 were reclassified as equity.

Pursuant to an investor relation agreements dated April 28, 2006 and August 2006 the Company paid in cash an amount of $ 440,000 on October 19, 2006 and issued 10,000,000 common shares on November 9, 2006 to certain service providers following reaching certain milestones regarding the conversion of the Convertible Debenture as agreed to by the parties.

o. During the nine months ended March 31, 2007 8,108,767 of the warrants which were issued on April 3, 2006, were exercised into shares in consideration for $ 608,158.

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

p. **Options to employees and consultants:**

On September 18, 2006 the Company approved allocation of an additional 15,000,000 of it common stock for the 2005 plan.

On January 24, 2007 the Company reserved additional 250,000,000 of it common stock for the 2005 plan.

Options to employees:

On October 30, 2006 the Board of Directors decided to reduce the exercise price of the options that were granted to the Company's employees and directors from $ 0.1 to $ 0.022. According to SFAS 123(R) modifications are treated as an exchange of the original award, resulting in additional compensation expenses based on the differences between the fair value of the new award and the original award immediately before modification. The incremental expenses should be expensed over the remaining vesting period.

As a result, the Company recognized compensation expenses of $46,196 immediately for the options that were already fully vested and the remaining compensation expenses amounted to $7,632 will be expense through the remaining vesting period of the options. The fair value for these options was estimated using Black-Scholes option-pricing model.

On September 18, 2006 and October 30, 2006 the Board of Directors approved to grant to two officers 8,500,000 stock options exercisable at a price of $0.022 per share. The options have a two years vesting period with six months grace period (i.e. vesting equally monthly during the remaining 18 months). The fair value for these options at the grant date was $140,678.

On November 9, 2006 and December 27, 2006 the Company granted 6,840,000 options exercisable at a price of $0.019-$0.022 per share to the Company s employees and directors under the 2005 Plan. The fair value for these options at the grant date was $113,829.

On January 24, 2007 the Company granted 203,000,000 options exercisable at a price of $0.0175 per share to the Company s employees and directors under the 2005 Plan. The fair value for these options at the grant date was $3,060,830.

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In U.S. Dollars
NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

p. **Options to employees and consultants (Cont.):**
Options to employees (Cont.):

A summary of the Company s share option activity (except options to consultants) under the Plans is as follows:

	Nine months ended March 31, 2007					
	Number		Weighted Average Exercise Price	Weighted average remaining contractual terms (in years)		Aggregate intrinsic value price
Options outstanding at beginning of year	15,155,790	$	0.032			
Options granted	218,340,000	$	0.0176(*)			
Options exercised	-	$	-			
Options forfeited	(125,003)	$	0.022			
Options outstanding at end of the period	233,370,787	$	0.0185	9.71	$	26,448,059
Options exercisable at the end of the period	10,897,456	$	0.036	8.06	$	1,047,570
Options vested and expected to vest	233,370,787	$	0.0185	9.71	$	26,448,059

(*) During October 2006, the Company re-priced the exercise price for certain grants to employee and directors. The re-pricing was accounted for in accordance with SFAS 123R, by applying modification accounting. According to SFAS 123(R) modifications are treated as an exchange of the original award, resulting in additional compensation expenses based on the differences between the fair value of the new award and the original award immediately before modification. Applying modification accounting, resulted in additional compensation expenses for the nine months ended March 31, 2007, that amounted to $ 49,542.

Intrinsic value of exercisable options (the difference between the Company's closing stock price on the last trading day in fiscal 2006 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 March 31, 2007. This amount changes based on the fair market value of the Company's stock

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
In U.S. Dollars
NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

p. **Options to employees and consultants (Cont.):**
Options to employees (Cont.):

The Company's outstanding options to employees as of March 31, 2007, have been separated into ranges of exercise prices as follows:

Issuance date	Options for Ordinary Shares		Exercise Price per Share	Options Exercisable	Weighted average remaining contractual terms
January 2003- June 2005	3,565,790	$	0.022-0.12	3,565,790	6.33
January 2006	11,464,997	$	0.022	6,706,666	8.84
September 2006 - October 2006	8,500,000	$	0.022	625,000	9.55
November 2006 - December 2006	6,840,000	$	0.019-0.022	-	9.75
January 2007	203,000,000	$	0.0175	-	9.82

Compensation expenses related to options granted to employees were recorded to research and development expenses and general and administrative expenses, as follows:

	Nine months ended March 31, 2007		2006	Period from inception through March 31, 2007	
Research and development expenses	$	284,055	-	$	284,055
General and administrative expenses		867,936	-		867,936
	$	1,151,991	-	$	1,151,991

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

p. **Options to employees and consultants (Cont.):**
Options to consultants:

On October 30, 2006 the Board of Directors decided to reduce the exercise price of the options that were granted to the Company's consultants from $ 0.1 to $ 0.022. According to SFAS 123(R) modifications are treated as an exchange of the original award, resulting in additional compensation based on the differences between the fair value of the new award and the original award immediately before modification in the amount of $8,335. The incremental expenses in the amount of $1,838 should be expensed over the remaining vesting period.

On October 30, 2006 the Company granted 750,000 options to consultant under the 2005 Plan. The grant date fair value for these options amounts to $14,240. On December 27, 2006 the Company granted 1,000,000 options to consultant under the 2005 plan. The grant date fair value for these options amounts to $19,264.

On January 24, 2007 the Company granted 10,500,000 options exercisable at a price of $0.0175 per share to the Company s consultants under the 2005 Plan. The fair value for these options at the grant date was $171,456.

The Company accounted for its options to consultants under the fair value method in accordance of SFAS 123 and EITF 96-18. The fair value for these options was estimated using Black-Scholes option-pricing model with the following weighted-average assumptions: risk-free interest rates of 4.56-4.72%, expected dividend yield of 0%, expected volatility of 114%-129%, and a weighted-average contractual life of the warrants of up to 10 years. Compensation expenses of $358,155 were recognized during the nine months period ended March 31, 2007, in respect with those options.

A summary of the Company s share option activity related to options to consultants under the Plans is as follows:

	Nine months ended March 31, 2007				
	Number		**Weighted Average Exercise Price**	**Weighted average remaining contractual terms (in years)**	**Aggregate intrinsic value price**
Options outstanding at beginning of year	1,669,189	$	0.067		
Options granted	12,250,000	$	0.018		
Options exercised	-	$	-		
Options forfeited	(100,000)	$	0.1		

Options outstanding at end of the period	13,819,189	$	0.023	9.26	$	1,546,485
Options exercisable at the end of the period	1,819,194	$	0.055	5.81	$	177,436
Options vested and expected to vest	13,819,189	$	0.023	9.26	$	1,546,485

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

p. **Options to employees and consultants (Cont):**
Options to consultants (Cont.):

The Company's outstanding options to consultants as of March 31, 2007, have been separated into ranges of exercise prices as follows:

Issuance date	Options for Ordinary Shares		Exercise Price per Share	Options Exercisable	Weighted average remaining contractual terms
December 31, 2003	169,189	$	0.4	169,189	6.09
November 10, 2005	150,000	$	0.022	150,000	1.62
January 17, 2006	1,250,000	$	0.022	750,005	8.84
October 30,2006	750,000	$	0.022	750,000	3.55
December 27,2006	1,000,000	$	0.019	-	9.75
January 24, 2007	10,500,000	$	0.0175	-	9.82

Compensation expenses related to options granted to consultants were recorded to research and development expenses, as follows:

	Nine months ended March 31, 2007	Nine months ended March 31, 2006	Period from inception through March 31, 2007
Research and development expenses	$ 358,155	48,182	$ 1,539,287

NOTE 4: SUBSEQUENT EVENTS

a. On May 15, 2007, the Company consummated a private equity placement with a group of investors (the investors) for a straight equity investment. The investors shall invest a minimum of $7,000,000 and up to a maximum of $13,500,000 for shares of the Company's common stock, $.00001 par value at a per share price of $0.0125, and warrant to purchase shares at an exercise price of $0.025 exercisable until five years after the closing date of the agreement.

As of May 21, 2007 the Company received $6,875,000 from the investors and issued 550,000,000 shares of the Company s common stock and issued 550,000,000 warrants to purchase the Company common stock. During the three months ended March 31, 2007 the Company received $ 4,200,000 on account of the shares and warrants.

On January 26, 2007, the Company issued 66,000,000 warrants to finders as finders fee in connection with introducing the Company to the investors. The warrants are exercisable for five years at an exercise price of $0.0125. The fair value for these warrants at the grant date was $1,157,054.

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NOTE 4: SUBSEQUENT EVENTS (CONT.)

b. On February 21, 2007, the Company has entered into a Letter of Intent with Stem Cell Innovation INC (Stem Cell), according to which, Stem Cell will license from the Company s subsidiary certain marketing rights of the PLX I product in Asia, excluding Japan and 3-D stem cell expansion capability in exchange for an upfront license fee of 23,000,000 shares and certain milestone payments, royalties and other payments. In addition, the Company shall issue to Stem Cell 66,000,000 shares of common stock and a five year non-callable warrant to buy 66,000,000 shares at an exercise price of $ 0.03 per share. In exchange, Stem Cell shall issue to the Company 27,000,000 shares. The Letter of Intent was valid until April 10, 2007. Currently the Company is in negotiation with Stem Cell for the closing of the share swap and license agreement.

c. On May 5, 2003, the Company entered into a license agreement (License Agreement) with the Weizmann Institute of Science, the Technion-Israel Institute of Technology, Shai Marezki and other individual to acquire an exclusive license for an innovative stem cell production technology. Under the License Agreement, the Company has paid $400,000 and committed to pay royalties based on its future sales or rights distribution transactions. Also, the licensors of the License Agreement had an option to assign all of their patent rights in the License Agreement to the Company in exchange for an aggregate of 5% of the fully diluted share capital of the Company. This option may only be