BLUE SPHERE CORP.
Form 10-Q
August 14, 2012

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE EXCHANGE ACT

For the transition period from _________ to ________

Commission File No. **333-147716**

Bluesphere Corp.
(Exact name of registrant as specified in its charter)

Nevada	98-0550257
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

35 Asuta Street, Even Yehuda, Israel 40500
(Address of principal executive offices) (zip code)

972-9-8917438
(Registrant's telephone number, including area code)

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act of 1934. Yes ¨ No x

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 preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically 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 registrant was required to submit and post such files).

Yes x 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 ¨(Do not check if a smaller reporting company)	Smaller reporting company x

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

Yes ¨ No x

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date: **As at August 13, 2012, there were 182,195,507 shares of common stock, par value $0.001 per share, issued and outstanding.**

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Forward Looking Statements

This quarterly report contains forward-looking statements. Forward-looking statements are projections in respect of future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “con negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks set out below, any of which may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks include, without limitation, (i) uncertainties regarding our ability to obtain adequate financing on a timely basis including financing for specific projects, (ii) uncertainties regarding the market for and value of carbon credits, including carbon credits associated with industrial gases, (iii) uncertainties regarding the market for and value of renewable energy in the countries where we have the opportunity to produce it, (iv) political and governmental risks associated with the foreign countries in which we operate, (v) unanticipated delays associated with project implementation including designing, constructing and equipping projects, as well as delays in obtaining required host country and United Nations approvals, (vi) the development stage of our business and (vii) our lack of operating history.

This list is not an exhaustive list of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on our forward-looking statements.

Forward looking statements are made based on management’s beliefs, estimates and opinions on the date the statements are made and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars (U.S. $) and are prepared in accordance with United States Generally Accepted Accounting Principles (“GAAP”). In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars.

As used in this quarterly report, the terms “we”, “us”, “our”, “Blue Sphere” or the “Company” mean Blue Sphere Corp. and its wholly-owned subsidiary, Eastern Sphere, Ltd., unless the context clearly requires otherwise.

ITEM 1. FINANCIAL STATEMENTS

BLUE SPHERE CORP.

(A development stage company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2012

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BLUE SPHERE CORP.

(A development stage company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2012

IN U.S. DOLLARS

UNAUDITED

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BLUE SPHERE CORP.

(A development stage company)

CONDENSED CONSOLIDATED BALANCE SHEETS

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

	June 30, 2012 Unaudited	September 30, 2011 Audited
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9	$ 50
Other current assets	48	17
Total current assets	57	67
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation	7	9
Total assets	$ 64	$ 76
Liabilities and Stockholders' Equity (Deficit)		
CURRENT LIABILITIES:		
Accounts payables	$ 13	$ 9
Other accounts payable	391	163
Debentures and loans	148	45
Total current liabilities	552	217
STOCKHOLDERS' DEFICIT:		
Common shares of $0.001 par value each:		
Authorized: 1,750,000,000 shares at June 30, 2012 and September 30, 2011, Issued and outstanding: 179,862,174 shares and 116,725,297 shares at June 30, 2012 and September 30, 2011, respectively	179	117
Additional paid-in capital	25,713	22,670
Accumulated deficit during the development stage	(26,380)	(22,928)
Total Stockholders' Equity (Deficit)	(488)	(141)
Total liabilities and Stockholders' Equity (Deficit)	$ 64	$ 76

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

BLUE SPHERE CORP.

(A development stage company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Nine months ended June 30		Three months ended June 30		Cumulative from July 17, 2007 through June 30,
	2012 (Unaudited)	2011	2012 (Unaudited)	2011	2012 Unaudited
OPERATING EXPENSES -					
General and administrative expenses *	$3,428	$10,204	$168	$2,730	$ 26,355
FINANCIAL EXPENSES (INCOME), net	14	2	7	1	15
	3,442	10,206	175	2,731	26,370
Other losses	10	-	10	-	10
NET LOSS FOR THE PERIOD	$3,452	$10,206	$185	$2,731	$ 26,380
Net loss per common share - basic and diluted	$(0.02)	$(0.14)	$(0.001)	$(0.04)	
Weighted average number of common shares outstanding during the period - basic and diluted	143,951,998	71,067,033	178,841,371	72,371,823	

* In the nine months period ended June 30, 2012 and 2011 - includes $2,609 thousands and $7,013 thousands, respectively of share-based compensation.

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

BLUE SPHERE CORP.

(A development stage company)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

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

	Common Stock, $0.00001 Par Value Shares	Amount	Additional paid in Capital	Accumulated deficit during the development stage	Total Stockholders' Equity (deficit)
COMMON STOCK ISSUED, JULY 17, 2007 (DATE OF INCEPTION)	1,900,000	$ 2	$ 67	$ -	$ 69
CHANGES DURING THE PERIOD FROM JULY 17, 2007 THROUGH DECEMBER 31, 2011 (audited):					
Issuance of common stock	471,948	-	198	-	198
Share split of 35:1	64,600,000	65	(65)	-	-
Common stock issued as direct offering costs	2,000,000	2	995	-	997
Share based compensation	16,025,609	16	16,105	-	16,121
Exercise of Options	8,321,917	8	-	-	8
Share based compensation for services	23,405,823	24	5,370	-	5,394
Net loss for the period	-	-	-	(22,928)	(22,928)
BALANCE AT SEPTEMBER 30, 2011 (audited)	116,725,297	$ 117	$ 22,670	$ (22,928)	$ (141)
CHANGES DURING THE PERIOD OF NINE **MONTHS ENDED JUNE 30, 2012** (unaudited)**:**					
Share based compensation	-	-	2,609	-	2,609
Issuance of common stock	525,000	1	19	-	20
Issuance of common stock in respect of issuance of debentures	31,693,043	32	98	-	130
Share based compensation for services	14,275,000	13	333	-	346
Exercise of Options	16,643,834	16	(16)	-	-
Net loss for the period	-	-	-	(3,452)	(3,452)
BALANCE AT JUNE 30, 2012 (Unaudited)	179,862,174	$ 179	$ 25,713	$ (26,380)	$ (488)

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

BLUE SPHERE CORP.

(A development stage company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. dollars in thousands)

	Nine months ended June 30 2012 (Unaudited)	Nine months ended June 30 2011 (Unaudited)	For the period From July 17, 2007 through June 30, 2012 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (Net loss) for the period	$(3,452)	$(10,206)	$ (26,380)
Adjustments required to reconcile net loss to net cash used in operating activities:			
Share based compensation expenses	2,609	7,013	18,730
Depreciation	2	-	2
Expenses in respect of debentures and loans	16	-	16
Issuance of shares for services	347	2,572	5,741
Issuance of shares in respect of issuance of debentures	17	-	17
Receivables on account of shares	-	-	-
Increase in other current assets	(11)	13	(28)
Increase in accounts payables	4	85	13
Increase (decrease) in other account payables	226	(3)	389
Net cash used in operating activities	(242)	(526)	(1,500)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for purchasing of fixed assets	-	(1)	(9)
Net cash used in investing activities	-	(1)	(9)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from options exercise	-	-	8
Loan granted	(30)	-	(30)
Loan received	30	-	30
Proceeds from issuance of convertible debentures	181	-	226
Proceeds from stock issued for cash	20	199	1,284
Net cash provided by financing activities	201	199	1,518
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(41)	(328)	9
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	50	355	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$9	$27	$ 9

The accompanying notes are an integral part of the consolidated financial statement

BLUE SPHERE CORP.

(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 1 - BASIS OF PRESENTATION:

The accompanying unaudited condensed consolidated financial statements have been prepared on the same basis, as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position and results of operations of Blue Sphere Corp. ("the Company”). These consolidated financial statements and notes thereto are unaudited and should be read in conjunction with the Company’s audited financial statements included in its Annual Report on Form 10-K for the year ended September 30, 2011, as filed with the Securities and Exchange Commission. The results of operations for the nine months ended June 30, 2012 are not necessarily indicative of results that could be expected for the entire fiscal year.

NOTE 2 - GENERAL

a. The Company was incorporated in the state of Nevada on July 17, 2007 and was in the business of developing and promoting automotive internet sites. During the second quarter of 2010 the management of the Company decided to change its business focus to that of Greenhouse Gas (GHG) emission reduction. The Company seeks to generate revenue through sales of carbon credits, energy generation, project development and sale of byproducts.

The Company offers potential partners (owners of: landfills, coal mines, fertilizer factories, etc) a kind of turnkey operation in dealing with the emission reduction. The Company service consists of: executing the process needed in order to make the project eligible for carbon credits, choosing the most suitable technology to be applied, arranging for the financing, constructing and managing the project for its life. We operate primarily in countries from the former Soviet Union, China and the USA.

During the second quarter of 2012, the Company's 50%-owned subsidiary, Puresphere Ltd, commenced its operations. The results of its operations and balance sheet as of June 30, 2012 has not been material.

On September 16, 2011, we signed a securities purchase agreement with Asher Enterprises Inc., a Delaware corporation with a head office in New York (“Asher”), pursuant to which Asher purchased an aggregate amount of U.S. $45,000 of our 8% convertible notes (the “Notes”). The Notes are convertible into shares of common stock of the Company from time to time, and at any time, beginning March 14, 2012 and ending, absent any condition of default, on June 14, 2012, subject to the limitations and conditions set forth in the Notes. The Company has the right to prepay the Notes under the certain conditions for 180 days following the issue date. On each of November 21, 2011 and February 2, 2012, Asher purchased an additional U.S. $32,500 of our 8% convertible notes (for an aggregate total of U.S. $65,000). Such additionally-purchased notes, together with the Notes, are referred to as the “Asher Notes”.

On March 19, 2012 Asher transferred 100% of the Asher Notes to third parties. During April 2012, such third parties converted $110 thousand (i.e., 100% of the principal amount) of the Principal amount of the Asher Notes into 28,893,043 shares of the Company (a conversion price of $0.0039802 per share).

On March 26, 2012, and May 7, 2012 Asher purchased an additional U.S. $53,000 and $32,500, respectively of our 8% convertible notes.

BLUE SPHERE CORP.

(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 3 - INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements as of June 30, 2012 and for the nine months then ended, have been prepared in accordance with accounting principles generally accepted in the United States relating to the preparation of financial statements for interim periods. Accordingly, they do not include all the information and footnotes required for annual 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 nine months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending September 30, 2012.

The September 30, 2011 Condensed Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended September 30, 2011.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the annual financial statements of the Company as of September 30, 2011, are applied consistently in these financial statements.

NOTE 5 - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As of June 30, 2012, the Company had approximately $9 thousand in cash and cash equivalents, approximately $495 thousand in negative working capital, a stockholders’ deficit of approximately $488 thousand and an accumulated deficit during development stage of approximately $26,380 thousand. Management anticipates that their business will require substantial additional investments that have not yet been secured. The Company anticipates that the existing cash will not be sufficient to continue its operations through the next 12 months. Management is continuing in the process of fund raising in the private equity markets as the Company will need to finance future activities and general and administrative expenses. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

These financial statements do not include any adjustments that may be necessary should the Company be unable to continue as a going concern. The Company’s continuation as a going concern is dependent on its ability to obtain additional financing as may be required and ultimately to attain profitability.

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BLUE SPHERE CORP.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 6 - NEWLY ISSUED ACCOUNTING PRONOUNCEMENTS:

No new accounting standards have been adopted since the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2011 was filed.

NOTE 7 – COMMON SHARES:

On November 3, 2011, the Company entered into a consulting agreement with He Mu for business development and project management in China in exchange for 3,000,000 shares of common stock (the "Shares"). The Shares are restricted for thirty-six (36) months following their issuance and are being held in Escrow for the entire thirty-six (36) month restricted period. The escrowed shares are subject to a claw-back provision so that if the agreement is terminated for any reason prior to the completion of 36 months, the amount of 83,333 shares will be returned to the Company for each month of such early termination.

During October 2011, the Company issued 525,000 common shares of the Company to an investor for total consideration of $20 Thousand.

On May 22, 2011, the Company and Bluebird Finance & Projects Ltd ("Bluebird") entered into a financing consulting services agreement according to which Bluebird will assist the Company with evaluating potential projects, review agreements, search for potential financing parties, accompany the Company in financing activities, etc. The agreement shall be valid for a period of 24 months and can be terminated by either party subject to a written notice of 60 days in advance. In consideration for Bluebird services, the Company will pay a monthly retainer fee of 15,000 common shares of the Company. In addition, the Company shall pay Bluebird a success fee of 2% for each executed financing round with a minimum of $50 thousand. During the quarter ended December 31, 2011 the Company issued 75,000 common shares in respect of the above agreement.

On October 11, 2011, the Company and Bluebird signed an amendment for the May 22, 2011 agreement according to it, in order to incentivize Bluebird to expand and enhance its efforts on behalf of the Blue Sphere, the Company shall issue the Bluebird (1) additional 500,000 common shares of the company upon signing of the amendment to the agreement (2) additional 500,000 common shares upon receipt of an investment or debt of at least $5,000 thousands and (3) additional 500,000 common shares upon receipt of an additional investment or debt of at least $5,000 thousands (total amount received of $10,000 thousand). On November 28, 2011 the Company issued to Bluebird 500,000 common shares under the above amendment to the agreement. The shares to be issued under the above amendment would be restricted for a period of 12 months from the date of issuance.

BLUE SPHERE CORP.

(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 7 – COMMON SHARES: (continue)

On January 5, 2012, the Company approved the issuance of 1,250,000 common shares of the Company to an investor for total consideration of $35 Thousand. The consideration for the shares has not yet been received to the date of the approval of the financial statements.

On February 1, 2012 the Company approved and granted 1,600,000 common shares of the Company for each of its Chief Executive Officer and the Chairman of the Board. In addition, the Company approved and granted 500,000 common shares of the Company for its Chief Carbon Officer and general counsel.

On February 6, 2012 the Company appointed Mr. Joshua Shoham as a director and issued him 2,000,000 common shares of the Company. The shares are subject to pro-rata forfeiture in the event that Mr. Shoham does not serve his full term of two years as director. In addition, on February 29, 2012 the Company appointed Mr. Shoham as the chairman of the board for a period of two years and granted him with additional 2,000,000 shares.

On February 20, 2012 Chief Executive Officer and the former Chairman of the Board exercised 16,643,834 options granted to them on May 13, 2010 into Company shares. The options exercise price was deducted from Company's debt to Chief Executive Officer and the former Chairman of the Board.

On February 20, 2012 the Company approved the grant of 4,000,000 common shares to a consultant of which 2,000,000 shares are subject claw-back provision, according to which in the event that the Company has not closed 6 additional deals within 18 months from the effective date as detailed in the consulting agreement, such shares would be returned to the Company. The shares under such agreement have not yet been issued as of the date of the approval of the financial statements.

On February 21, 2012, the Company executed a promissory note (the “Promissory Note”) pursuant to which it borrowed $30,000 from Jean-Marc Karouby, M.D., an individual residing in France (the “French Lender”). Part of the consideration for the Promissory Note was the issuance of 2,800,000 shares of common stock of the Company. In connection with such issuance of shares, the Company also granted to the French Lender piggy-back registration rights. As a result, such shares may be registered under the S-1.

The maturity date of the Promissory Note is November 20, 2012. Under the terms of the Promissory Note, interest accrues on the basis of a 270-day year at a rate of 18% per annum or at a higher rate of 24% per annum if such higher rate is permissible under Nevada law. The Promissory Note is governed under the laws of Nevada. The default rate of interest under the Promissory Note is 35% per annum, and a default shall be declared upon a declaration by the Company of bankruptcy under Chapter 7 or Chapter 11 under the applicable federal United States bankruptcy laws or upon the failure to make payments when due on or before 10 days after an applicable due date. Monthly interest payments of $600 are due on or before the 20th of each month while the Promissory Note remains outstanding. In addition to payment of the default interest rate and principal, upon a default the Company shall also issue to the French Lender additional shares of its common stock equal to 150% of the value of the principal and interest due converted at the applicable trading price for the Company’s shares at the time of default. Cash payments due under the Promissory Note have been personally guaranteed by Shlomo Palas, the Company’s Chief Executive Officer.

NOTE 7 – COMMON SHARES: (continue)

On February 28, 2012, the Company issued to its representative in Ghana 4,000,000 shares, of which 2,000,000 are subject to forfeiture if the Company would not closed six additional transactions through introductions made by the Ghanaian representative within 18 months thereafter. 2,000,000 shares under such agreement have not yet been issued to the representative.

On June 1, 2012 the Company issued to a consultant 1,000,000 shares. Such shares are restricted from transfer for a period of 12 months from the dates of its issuance.

During April 2012, third parties converted $110 thousand of the Principal amount of the Asher Notes into 28,893,043 shares of the Company (a conversion price of $0.0039802 per share) (see further information above).

NOTE 8 – SUBSEQUENT EVENTS:

On July 1, 2012, the Company entered into and signed an investment agreement with Fidelity Venture Capital Limited, an Israeli company (“Fidelity”), pursuant to which Fidelity has committed to arrange the investment of up to USD 1,000,000 in notes convertible into shares of common stock or more senior equity securities of Registrant (if any) for a period of three and one half years at prices ranging from USD 0.02 cents to USD 0.10 cents per share or a discount of 20% of the then market price of Registrant’s shares depending on when any such conversion is consummated. The notes will bear annual interest of 6.5% to be paid semi-annually in arrears. The Company has committed to pay off the outstanding principal of the notes by paying to Fidelity 7% of gross income and making certain pre-payments of the principal during the term of the notes. Fidelity is to receive shares of common stock of the Company worth USD 0.70 cents for each dollar it invested in the Notes (the “Incentive Shares”). The Company has pledged the income from its projects to Fidelity as security to pay the notes in full.

On July 1, 2012, Registrant agreed to issue and transfer to Fidelity approximately 46,000,000 shares of its common stock in order to discharge its obligation to deliver to Fidelity the Incentive Shares described above. The Incentive Shares constitute a 20% ownership stake in Registrant. Registrant will deliver such shares to Fidelity against receipt of cash. To-date, we have issued and delivered to Fidelity 2,333,333 shares of common stock against the receipt of $30,000 in cash. We are using such cash for general and administrative purposes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Corporate History

We were incorporated in Nevada in July 2007 under the name Jin Jie Corp. Prior to the second quarter of fiscal 2010 we were engaged in the business of developing and promoting automotive internet websites. That business generated no revenue and accumulated a deficit of approximately $64,000. During the second quarter of 2010, we changed our business model to our current business. In connection with such change, we took the following actions: (i) effective February 17, 2010, we changed our name to our current name by merging into our company a wholly-owned subsidiary formed for that purpose; (ii) effective February 17, 2010, we effected a 35-for-1 forward split of our authorized, issued, and outstanding common stock, increasing our authorized common stock from 50,000,000 shares to 1,750,000,000 shares and increasing our outstanding common stock from 1,900,000 shares to 66,500,000 shares; (iii) effective February 26, 2010, certain former shareholders of our company sold an aggregate of 34,800,000 shares of our common stock held by them, representing approximately 38% of our then outstanding stock, to new investors for an aggregate purchase price of $34,800; and, (iv) effective March 3, 2010, we entered into employment agreements with Shlomo Palas, our CEO, and Eliezer Weinberg. Mssrs. Palas and Weinberg were each granted two-year time-vested stock options to purchase 8,321,917 shares of common stock, representing 9% of our then outstanding shares, at an exercise price of $.001 per share. Both Mssrs. Palas and Weinberg exercised their options on March 20, 2012 and each received 8,321,917 shares. Both Mssrs. Palas and Weinberg offset debt owed to them by the Company instead of paying their respective option strike price in cash.

On March 3, 2010, Mssrs. Palas and Weinberg were elected as members of our board of directors, with Mr. Weinberg being elected as non-executive Chairman. In April and May 2010, the remaining management and board members of our company prior to the change of business resigned. On October 25, 2010, we appointed Mark Radom as our Chief Carbon Officer. Mr. Radom serves in this capacity on a full-time basis. Mr. Radom receives a monthly salary of U.S. $7,000 and is entitled to receive five percent of the net profits of any project he introduces to the Company and two percent of the net profits of any other project the Company implements. On August 23, 2011, Mr. Radom received 4,500,000 shares of common stock of the Company. Mr. Radom also received 500,000 shares of common stock in January 2012 as a bonus, which are not subject to any forfeiture (*see below for more details*). On July 28, 2011, we appointed Roy Amizur our Executive Vice-President. Mr. Amizur is entitled to receive U.S. $10,000 plus VAT per month after he arranges an investment of no less than U.S. $450,000 in the Company and U.S. $15,000 plus VAT per month after he arranges an equity investment in the Company of no less than U.S. $2,000,000. Mr. Amizur has also received 12,500,000 shares of common stock of the Company. If Mr. Amizur resigns from the Company prior to July 25, 2013, he will forfeit a pro rata portion of his shares back to the Company (the amount subject to forfeiture being equal to the number of days, which Mr. Amizur did not serve as Executive Vice-President out of the two year term of his management services agreement. Mr. Amizur also received 1,075,000 shares of common stock on August 23, 2011 as a bonus, which are not subject to any forfeiture. Due to the extraordinary contributions made by Mr. Amizur to the operations of the Company, we commenced payment of salary to Mr. Amizur in July 2012. On January 9, 2012, we appointed Shlomo Zakai as our new chief financial officer on a non-exclusive basis. Mr. Zakai is entitled to receive NIS 220 per hour for the work he performs for the Company.

We have three full-time employees–our chief executive officer, our executive vice-president and our chief carbon officer and five part-time employees – our chief financial officer, an office manager, a book-keeper, a representative in China, who assists us in identifying projects in China and a representative in Ghana, who assists us in identifying projects and in Ghana. In November 2011, we issued our Chinese representative 3,000,000 shares of common stock in exchange for project introduction and management services to be performed over the course of three years. On February 28, 2012, we issued our representative in Ghana 4,000,000 shares, of which 2,000,000 are subject to forfeiture if we have not closed six additional transactions through introductions made by our Ghanaian representative within 18 months thereafter.

On February 1, 2012, we issued and granted 1,600,000 shares of our common stock to each of our Chief Executive Officer and then Chairman of the Board and 500,000 shares of our common stock to our Chief Carbon Officer and general counsel, in each case, to compensate them for their extraordinary efforts to cause Vattenfall to sign the ERPA with Puresphere.

In February 2012, Eliezer Weinberg resigned from the Board of Directors and no longer is employed or engaged in any manner of or active in the operations of the Company. In his place, we appointed Joshua Shoham as non-executive Director and Chairman of the Board. Mr. Shoham received 4,000,000 shares of stock, of which 2,000,000 are subject to pro-rata forfeiture in the event that Mr. Shoham does not serve his full term of two years as director. That is his sole compensation.

We have employment agreements with our chief executive officer and a consulting agreement with our chief carbon officer. We have no other employment or similar agreements with any of our employees.

On January 31, 2012, we lent an Israeli company, CTG Clean Technology Group Limited (the "Borrower"), U.S. $30,000 at an annual rate of interest of eight percent (8%). The purpose of this loan was to provide the borrower capital to continue its operations while we considered acquiring such company. On February 8, 2012, we received the cash to make such loan to the Borrower from a Cyprus company. The terms on which we received such money are that either the Cyprus company will be repaid in full if and when we are paid by CTG or the Cyprus company will be entitled to convert the $30,000 it invested in us into shares of our common stock. The Borrower pledged the revenues from its Angolan waste-water project toward the repayment of the principal and interest of this loan. To-date, we have not received any payment whatsoever. As of the date hereof, we are no longer considering any acquisition or transaction with the Borrower other than repayment of the loan. The Cyprus company that provided us such cash has not contacted us at all. We are considering following-up with such entity and/or waiting to be contacted.

On March 26, 2012 and May 7, 2012, the Company issued two promissory notes to Asher Capital in the amount of $53,000 and $32,500, respectively. These notes are due and payable on December 28, 2012 and February 11, 2013, respectively. To the extent we do not pay the principal in full, the lender will have the right to convert the outstanding principal balance into shares of common stock at a conversion rate of 58% of the market price of the lowest three closing bid prices during the 10 trading dates ending on the date this one day prior to such conversion..

On July 1, 2012, we signed a placement agreement with Fidelity Venture Capital Limited ("Fidelity") pursuant to which Fidelity undertook to raise U.S. $1,000,000 in notes convertible into shares of common stock or more senior equity securities of Registrant (if any) for a period of three and one half years at prices ranging from USD 0.02 cents to USD 0.10 cents per share or a discount of 20% of the then market price of Registrant's shares depending on when any such conversion is consummated. The notes will bear annual interest of 6.5% to be paid semi-annually in arrears. Registrant has committed to pay off the outstanding principal of the notes by paying to the holders of such convertible notes 7% of gross income and making certain pre-payments of the principal during the term of the notes. Each holder of such convertible notes are to receive shares of common stock of Registrant worth USD 0.70 cents for each dollar it invested in the Notes (the “Incentive Shares”). Registrant has pledged the income from its projects to such holders as security to pay the notes in full. Fidelity will receive nine percent of the gross proceeds it raises for us.

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From 2010 to the end of 2011, we were primarily focused on implementing carbon credit projects in the developing world under the auspices of the Kyoto Protocol. In this connection, we commenced our landfill projects in Ghana (*as described more fully below*) in 2011. However and despite starting what we hope is a promising set of landfill gas-to-energy projects in Africa, in the last quarter of 2011, we realized that we were positioned for a much greater opportunity: waste-to-energy.

Our model in respect of waste-to-energy is to build, own and operate. We first select projects with signed, long-term agreements with waste producers or waste haulers in respect of the feedstock, with national governments or electricity corporations in respect of the energy output and with private entities in respect of other project by-products (such as renewable energy credits, heat, compost and fertilizer), in each case, prior to initiation of such projects.

Our role is to integrate all activities and components that make up a project, providing a turnkey, one-stop shop solution and doing everything needed to make its projects successful. We will work with and outsource key components of such projects to the Engineering Procurement Construction (“EPC”)/technology providers and other project participants that provide the best and most economical solution for each individual project. This will provide us the flexibility and freedom to tailor the best solution for each project. We will stay involved in managing and financing all aspects of the relevant project for its lifetime or until the project is sold, when that proves to be the best financial decision. This assures all of the involved parties - including waste producers, the financing parties, the EPC/technology providers and customers - that there is long-term overall continuity and responsibility for each project as a whole.

We are therefore now focusing most of our efforts and resources toward waste-to-energy projects. As described more fully below, we have signed term sheets in respect of three projects in the United States (North Carolina, Rhode Island and South Carolina) and are in the process of developing a pipeline of dozens more of such projects in the United States, China, Africa and elsewhere. There is a virtually endless supply of waste suitable for such projects and the demand for renewable energy in general and from such projects in particular is growing every year and exceeds the amount of renewable energy available to satisfy such demand.

Summary of Current Operations

Bluesphere has current and potential operations in two areas: (i) renewable energy generation/waste-to-energy and (ii) carbon credit projects. Altogether, we have six signed projects and a pipeline of several other projects that are in various stages of negotiation.

Renewable Energy Generation

Five of our six signed project agreements have renewable energy potential and we are separately evaluating other non-carbon credit projects or projects with low volumes of carbon credits for renewable energy generation. As with our carbon credit projects, we are currently evaluating the renewable energy component of each project to determine its optimal method of implementation, identifying suitable experts to assist us in project implementation and arranging necessary financing. We are also continuing to pursue and sign new projects with renewable energy potential.

On February 24, 2012, we signed a term sheet with a developer of biomass waste-to-energy projects in the United States in respect of one such project to be implemented in Columbia, South Carolina. This is our first project to-date outside the scope of the Kyoto Protocol. The feedstock for this facility is expected to be 48,000 tons of organic food and yard waste annually, which is expected to produce enough biogas to power a 3.2 MW generator. We are currently performing due diligence on this project. There are no assurances that we will arrive at a satisfactory result and decide to implement the project. If we do implement such project, we will have an option on implementing other projects to be introduced to us by such developer.

As a result of signing this term sheet and our efforts leading up to such term sheet, we have decided to emphasize and redouble our efforts in identifying and obtaining rights to implement promising biomass waste-to-energy projects in the United States. In this connection, we have developed a pipeline of several similar projects and are currently negotiating term sheets for several similar projects.

On May 7, 2012, we signed a term sheet in respect of two more biomass waste-to-energy projects in the United States: (i) one in Johnston, Rhode Island and (ii) one in Concord, North Carolina. The feedstock for the Johnston, Rhode Island project is expected to be 50,000 tons of organic food waste annually, which is expected to produce enough biogas to power a 3.2 MW generator. The feedstock for the Concord, North Carolina plant is expected to be 80,000 tons of organic food waste annually, which is expected to produce enough biogas to power a 4.8 MW generator. We are currently performing due diligence on this project. There are no assurances that we will arrive at a satisfactory result and decide to implement the project in whole or in part. If we do implement such project (whether in whole or in part), we will have an option on implementing other projects to be introduced to us by such developer.

We are also continuing our efforts and initiatives to identify and secure the rights to implement biomass waste-to-energy projects at dairy farms in the United States and are in the initial stages of negotiations with several sites.

There can be no assurances that we will implement any biomass waste-to-energy project of any nature in the United States.

Carbon Credit Projects

We have six signed agreements to implement carbon credit projects and are currently evaluating each project to determine its optimal method of implementation, identifying suitable experts to assist us in project implementation and arranging necessary financing. We are also continuing to pursue and sign new carbon credit projects with high volume potential.

On July 10, 2011, we signed a joint venture agreement with BPure Environmental Improvement Group, Ltd. ("BPure"), an experienced project management Israeli company specializing in green development projects, to finance the entire capital and manage the equipment, procurement and construction work required to implement two (2) of our landfill projects in Ghana, Africa: (i) the Oti Sanitary Landfill in Kumasi and (ii) the Sofokrom Landfill site in Takoradi. Under the terms of the agreement, we will open a special purpose company to implement the projects of which we shall be equal owners, but BPure will be entitled to recoup 100% of its investment before we will be entitled to any dividends or distributions.

In November 2011, we signed a project agreement with the Takoradi-Sekondi Metropolitan Assembly and JSO to implement a landfill gas extraction and power production project at the Sofokrom Sanitary Landfill in Takoradi, Ghana under the rubric of the CDM of the KP. This project is eligible to receive carbon credits under the CDM of the KP and has renewable energy, compost and by-product potential.

We performed a pump test in January 2012 at our Oti Landfill site in Kumasi, Ghana, the results of which were satisfactory to us and BPure.

On January 18, 2012, Puresphere Limited, our joint venture with BPure (in which our stake is 50%), signed an emissions reduction purchase agreement ("ERPA") with Vattenfall Energy Trading Netherlands N.V., a subsidiary of Vattenfall AB, a Swedish company and one of Europe's biggest power producers ("Vattenfall"), in respect of up to nine emissions reduction projects in Ghana and Nigeria. Subject to the terms of this agreement, Vattenfall is obligated to purchase through 2020 the certified emissions reductions (“CERs”) to be received in respect of up to nine landfill sites at a discount to the market price on the date of delivery. Vattenfall has an option to purchase such CERs beyond 2020 in its discretion. Vattenfall has also committed to finance the costs of registering such landfill sites with the Executive Board (“EB”) of the Clean Development Mechanism (“CDM”) of the Kyoto Protocol in order to receive CERs. If the price per CER on the date of the first deliver thereof is less than Euro 8, then we will be obligated to reimburse Vattenfall certain of such registration costs.

Based on the results of the pump test and the execution of an ERPA with Vattenfall, we are proceeding with the registration of the project with the EB of the CDM of the Kyoto Protocol and the required field work to install gas capture and power generation equipment.

On April 2, 2012, we signed, through our 50%-owned subsidiary, Puresphere Ltd., a validation agreement with the Japan Consulting Institute (the “Validator”) in respect of our Oti Sanitary Landfill CDM Project and our African Landfill Programme of Activities. On April 24, 2012, we submitted a final programme of activities design document (“PoADD”) to the Validator in respect of the Oti Sanitary Landfill CDM Project. On April 28, 2012, the Validator uploaded the PoADD onto the applicable web site of the United Nations for the 30-day global stakeholder consultation. After such consultation is complete, the Validator has indicated its intention to visit the site in June of 2012 and then submit its validation report to the Executive Board of the CDM with a request to register this project by no later than October 2012.

On May 2, 2012, we signed a CPA confirmation with Vattenfall in respect of the Sofokrom Sanitary Landfill CDM Project in Takoradi, Ghana.

BPure is financing all of the foregoing activities (except those financed by Vattenfall pursuant to the ERPA) in accordance with and pursuant to the terms of joint venture with BPure.

We also commenced in March 2012 negotiations with General Electric in respect of the purchase, installation and operation of a generator-set at the Oti Landfill CDM Project for the purpose of electricity generation.

On June 14, 2012, we conducted an on-site feasibility study at the Sofokrom landfill in Takoradi, Ghana. The results of such study suggest that the Sofokrom site will become a viable CDM landfill gas-to-energy project when another 4-9 meters of waste is dumped on top of the existing cell so that it reaches a height of 10-15 meters (at the moment, it is only 6 meters high). This can take 2-4 years depending on waste dumping practices. As such, we are considering our options in terms of when to implement a project at this site or to find another site in Ghana or elsewhere in Africa to implement our second site in our African Landfill Programme of Activities.

On June 15, 2012, we conducted a site visit and inspection with the Validator, which is now preparing its validation report in respect of the Oti Sanitary Landfill Project to be submitted to the United Nations to register our African Landfill Programme of Activities by September 2012.

Results of Operations

Revenue

We have recorded no revenue since inception.

General and administrative expenses

General and administrative expenses for the nine-month period ended June 30, 2012 were $3,428 thousands as compared to $10,204 thousands for the nine-month period ended June 30, 2011. The decrease is mainly attributable to the decrease in share-based compensation for employees and service providers.

Net Loss

As a result of the above, we incurred a net loss of $3,452 thousands for the nine-month period ended June 30, 2012, as compared to a net loss of $10,206 thousands for the nine-month period ended June 30, 2011. We anticipate losses in future periods. The decrease is mainly attributable to the decrease in share-based compensation for employees and service providers.

Inflation

Our results of operations have not been materially affected by inflation and management does not expect that inflation risk would cause material impact on its operations in the future.

Seasonality

Our results of operations are not materially affected by seasonality and we do not expect seasonality to cause any material impact on our operations in the near future.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires our management to make assumptions, estimates and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. We consider our critical accounting policies to be those that require the more significant judgments and estimates in the preparation of financial statements. No new accounting standards have been adopted since the Company’s Annual Report on Form 10-K/A for the fiscal year ended September 30, 2011 was filed.

Liquidity

As of June 30, 2012, we had cash of $9 thousand compared to $27 thousand as of June 30, 2011. As of June 30, 2012, we had working capital deficit of $495 thousand compared to working capital of $162 thousand as of June 30, 2011. Management anticipates that existing cash resources, including the proceeds of the equity private placements described below will not be sufficient to fund our planned operations during the next 12 months. We estimate that, in order to fund our continued existence, we will require a minimum of $1,000,000 in cash over the next 12 months. This does not include amounts we will have to invest in the implementation of our projects. Assuming we finance each project with 20% equity and 80% debt, we will require approximately $11,000,000 in additional capital to make equity investments in each of our projects. There is no assurance that we will be successful in financing our projects with 20% equity and 80% debt (such amounts could be more or less) and, even if successful, there is no assurance that we will raise such capital at all or in a timely manner.

In addition to requiring capital to fund our corporate activities, the capital needs of our project development activities will be significant and will likely require equity investment on our part. As a result, we are seeking to raise additional funds and any meaningful equity financing will likely result in significant dilution to our existing shareholders. There can be no assurance that additional funds will be available on terms acceptable to us, or at all. These conditions raise substantial doubt about our ability to continue to operate as a going concern. The financial statements contained in this report do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Capital Resources

As at June 30, 2012, we had no commitments for any capital expenditures. Based on project agreements signed to-date and projects in the pipeline, we anticipate the incurrence of such commitments during the fiscal year ending September 30, 2012. We expect to fund such commitments partly with equity to be contributed by us and partly with debt to be raised from financial institutions. In order to make any equity contribution, we will be forced to raise additional funds in the form of an equity investment in us of from external investors.

Off-Balance Sheet Arrangements

As at June 30, 2012, we had no off-balance sheet arrangements of any nature.

Market Risk and Contingent Liabilities

The Company is seeking to operate largely in the developing world (such as, e.g., countries in Africa, Central Asia and Southeast Asia), making it susceptible to changes in the economic, political, and social conditions therein. The developing world has experienced political, economic and social uncertainty in recent years, including an economic crisis characterized by increased inflation, high domestic interest rates, in some cases, negative economic growth, reduced consumer purchasing power and high unemployment. Currently, many of the countries in the developing world where we have projects have been pursuing economic stabilization policies, including the encouragement of foreign trade and investment and other reforms. In the last year, there was an overall improvement in the world (and, consequently, developing world) economic environment. Nevertheless, no assurance can be given that the countries in which we currently or will operate will continue to pursue these policies, that these policies will be successful if pursued or that these policies will not be significantly altered. In case of a decline in the world economy, political or social problems or a reversal of foreign investment policies, it is likely that any such change will have an adverse effect on the Company's results of operations and financial condition. Additionally, inflation may lead to higher wages and salaries for local employees and increases in the cost of materials, which would adversely affect the Company's profitability.

Risks inherent in foreign operations include nationalization, war, terrorism, and other political risks and risks of increases in foreign taxes or changes in U.S. tax treatment of foreign taxes paid and the imposition of foreign government royalties and fees.

Recent Events

On July 1, 2012, we signed a placement agreement with Fidelity Venture Capital Limited ("Fidelity") pursuant to which Fidelity undertook to raise U.S. $1,000,000 in notes convertible into shares of common stock or more senior equity securities of Registrant (if any) for a period of three and one half years at prices ranging from USD 0.02 cents to USD 0.10 cents per share or a discount of 20% of the then market price of Registrant's shares depending on when any such conversion is consummated. The notes will bear annual interest of 6.5% to be paid semi-annually in arrears. Registrant has committed to pay off the outstanding principal of the notes by paying to the holders of such convertible notes 7% of gross income and making certain pre-payments of the principal during the term of the notes. Each holder of such convertible notes are to receive shares of common stock of Registrant worth USD 0.70 cents for each dollar it invested in the Notes (the "Incentive Shares"). Registrant has pledged the income from its projects to such holders as security to pay the notes in full. Fidelity will receive nine percent of the gross proceeds it raises for us.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, including our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures as at June 30, 2012. Based on such review, our chief executive officer and chief financial officer have determined that in light of their conclusion with respect to the effectiveness of our internal control over our financial reporting as of such date, we had in place effective controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure, and is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

Our management, under the supervision of our chief executive officer and chief financial officer, is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act of 1934. The Company's internal control over financial reporting is defined as a process designed 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. Internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and asset dispositions;

- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of our financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our internal control over financial reporting as on December 31, 2010 based on the framework for Internal Control-Integrated Framework set forth by The Committee of Sponsoring Organizations of the Treadway Commission (“Treadway Commission Framework”). Management’s evaluation concluded that there were no material weaknesses with respect to segregation of duties that may not provide reasonable assurance regarding the reliability of internal control over financial reporting and may not prevent or detect misstatements.

Based on this evaluation, our management concluded that the Company's internal controls over financial reporting were effective as at June 30, 2012.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

This quarterly report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Commission that permit us to provide only management's report in this Annual report.

On March 31, 2011, we appointed Mark Radom our internal control officer and finalized and adopted an internal control plan and policy for the Company going forward.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

As a smaller reporting company, we are not required to provide the information required by this item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

On March 26, 2012 and May 7, 2012, the Company issued two promissory notes to Asher Capital in the amount of $53,000 and $32,500, respectively. These notes are due and payable on December 28, 2012 and February 11, 2013, respectively. To the extent we do not pay the principal in full, the lender will have the right to convert the outstanding principal balance into shares of common stock at a conversion rate of 58% of the market price of the lowest three closing bid prices during the 10 trading dates ending on the date this one day prior to such conversion.

On July 1, 2012, we signed a placement agreement with Fidelity Venture Capital Limited (“Fidelity”) pursuant to which Fidelity undertook to raise U.S. $1,000,000 in notes convertible into shares of common stock or more senior equity securities of Registrant (if any) for a period of three and one half years at prices ranging from USD 0.02 cents to USD 0.10 cents per share or a discount of 20% of the then market price of Registrant’s shares depending on when any such conversion is consummated. The notes will bear annual interest of 6.5% to be paid semi-annually in arrears. Registrant has committed to pay off the outstanding principal of the notes by paying to the holders of such convertible notes 7% of gross income and making certain pre-payments of the principal during the term of the notes. Each holder of such convertible notes are to receive shares of common stock of Registrant worth USD 0.70 cents for each dollar it invested in the Notes (the “Incentive Shares”). Registrant has pledged the income from its projects to such holders as security to pay the notes in full. Fidelity will receive nine percent of the gross proceeds it raises for us.

On July 1, 2012, Registrant agreed to issue and transfer to Fidelity approximately 46,000,000 shares of its common stock in order to discharge its obligation to deliver to Fidelity the Incentive Shares described above. The Incentive Shares constitute a 20% ownership stake in Registrant. Registrant will deliver such shares to Fidelity against receipt of cash. To-date, we have issued and delivered to Fidelity 2,333,333 shares of common stock against the receipt of $30,000 in cash. We are using such cash for general and administrative purposes.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. REMOVED AND RESERVED

ITEM 5. OTHER INFORMATION

None.

ITEM 6.

No.	Description
10.1	Promissory Note Agreements with Asher Capital
10.2	Fidelity Venture Capital Agreement
31.1	Rule 13a–14(a)/15d–14(a) Certifications (ii) Rule 13a–14/15d–14 Certification Chief Executive Officer
31.2	Rule 13a–14(a)/15d–14(a) Certifications (ii) Rule 13a–14/15d–14 Certification Chief Financial Officer
32.1	Section 1350 Certification Chief Executive Officer
32.2	Section 1350 Certification Chief Financial Officer

SIGNATURES

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

BLUE SPHERE CORP.

By: /s/ Shlomi Palas
President, Chief Executive Officer, Secretary and Director
(Principal Executive Officer)
Date: August 13, 2012

By: /s/ Shlomo Zakai
Chief Financial Officer and Treasurer
(Principal Accounting Officer and Principal Financial Officer)
Date: August 13, 2012