

BLUE SPHERE CORP.  
Form 10-Q/A  
June 13, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

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

For the quarterly period ended March 31, 2016

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

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

Commission File No. 000-55127

**Blue Sphere Corporation**

(Exact name of registrant as specified in its charter)

Nevada

98-0550257

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

**301 McCullough Drive, 4th Floor, Charlotte, North Carolina 28262**  
(Address of principal executive offices) (zip code)

**704-909-2806**  
(Registrant's telephone number, including area code)

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

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 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 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 the 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

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

Yes No

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date: As of May 18, 2016, there were 219,817,675 shares of common stock, par value \$0.001 per share, issued and outstanding.

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Our unaudited 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 Corporation and its wholly-owned subsidiaries, unless the context clearly requires otherwise.

**EXPLANATORY NOTE**

On May 18, 2015, Blue Sphere filed a Current Report on Form 8-K reporting that it had entered into an agreement to acquire one hundred percent (100%) of the share capital of four entities, Agricerere S.r.l., Agrielektra S.r.l., Agrisorse S.r.l. and Gefa S.r.l (collectively, the “SPVs”), that own and operate anaerobic digestion biogas plants for the production of electricity located in Italy (the “May Form 8-K”). The closing of the acquisition of the SPVs was subject to certain conditions precedent, as more fully described in the May Form 8-K, but which included obtaining consent from the acquired parties’ creditor to the acquisition and the resulting change of control, and securing a mezzanine loan facility. Upon attainment of the conditions precedent, the Company closed the acquisition of the SPVs on December 14, 2015 and filed a Current Report on Form 8-K on December 17, 2015 reporting that it had consummated the acquisition of the SPVs. The Company then commenced work with its independent registered public accounting firms, UHY Bompani (“UHY”) and Brightman Almagor Zohar & Co., a member firm of Deloitte Touche Tohmatsu Limited (“Deloitte”), to complete the review of the SPVs’ financial statements and to consolidate those financial statements with

the Company's financial statements (including the seventeen (17) day period following the acquisition of the SPVs), respectively.

On May 23, 2016, the Company filed a Quarterly Report on Form 10-Q for the period from January 1, 2016 to March 31, 2016 (the "Quarterly Report"). As explained in the Quarterly Report, the interim financial statements and notes thereto contained in the Quarterly Report (the "Quarterly Report Financial Statements") were not reviewed in accordance with Statement of Auditing Standards No. 100 ("SAS 100"), as required by Rule 10-01(d) of Regulation S-X promulgated under the Securities and Exchange Act of 1934, as amended, due to the inability of UHY to timely verify certain items in the SPVs' financial statements and, consequently, the inability of Deloitte to complete its review of the Company's Quarterly Report Financial Statements. The Company is filing this Amendment No. 1 on Form 10-Q/A to (i) file the Quarterly Report Financial Statements that have been reviewed in accordance with SAS 100 as required by Rule 10-01(d) and (ii) amend and restate Item 2 of Part 1, "Management's Discussion and Analysis of Financial Condition and Results of Operations", of the Quarterly Report based on the Quarterly Report Financial Statements filed herewith. In addition, the Company has updated the "Explanatory Note," Item 2 of Part 2, "Unregistered Sales of Equity Securities and Use of Proceeds," Item 5 of Part 2, "Other Information", the signature page, the certifications of its Chief Executive Officer and Chief Financial Officer in Exhibits 31.1 and 32.1 and Exhibits 31.2 and 32.2, respectively, and the Company's financial statements formatted in Extensible Business Reporting Language (XBRL) in Exhibits 101. Except as described above, this Amendment No. 1 on Form 10-Q/A does not amend any other information set forth in the Quarterly Report. However, for the convenience of the reader, this Amendment No. 1 on Form 10-Q/A restates in its entirety, as amended, the Quarterly Report. This Amendment No. 1 on Form 10-Q/A is presented as of the filing date of the Quarterly Report and does not reflect events occurring after that date, or modify or update information in the Quarterly Report, except as described above.

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

**BLUE SPHERE CORP.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2016**

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**BLUE SPHERE CORP.****CONDENSED CONSOLIDATED BALANCE SHEETS**

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

	<b>March 31,</b>	<b>September</b>
	<b>2016</b>	<b>30,</b>
	<b>Unaudited</b>	<b>2015</b>
		<b>Audited</b>
<b>Assets</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$3,307	\$ 161
Trade account receivables	818	—
Other current assets	741	21
Total current assets	4,866	182
<b>PROPERTY, PLANT AND EQUIPMENT</b> , net of accumulated depreciation	18,687	31
<b>OTHER LONG TERM ASSETS</b>	6,428	—
<b>INVESTMENTS IN JOINT VENTURES</b>	7,831	4,952
<b>INTANGIBLE ASSETS</b>	4,065	—
Total assets	\$41,877	\$5,165
<b>Liabilities and Stockholders' Deficiency</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long term loan	\$ 1,619	\$ 32
Accounts payables	862	58
Other accounts payable and liabilities	3,873	681
Debentures, notes and loans	330	519
Deferred revenues from joint ventures	9,313	6,434
Total current liabilities	15,997	7,724
<b>LONG TERM BANK LOANS</b>	19,985	135
<b>LONG TERM LOANS AND LIABILITIES</b>	7,069	—
<b>DEBENTURES</b>	2,495	—
<b>WARRANTS TO ISSUE SHARES</b>	2,892	—
<b>STOCKHOLDERS' DEFICIENCY:</b>		
Common shares of \$0.001 par value each:		
Authorized: 1,750,000,000 shares at March 31, 2016 and September 30, 2015. Issued and outstanding: 217,127,443 shares and 167,952,595 shares at March 31, 2016 and September 30, 2015, respectively	1,293	1,244
Proceeds on account of shares	—	20
Treasury shares	(28 )	(28 )

Accumulated other comprehensive income	19	—
Additional paid-in capital	40,427	39,474
Accumulated deficit	(48,272 )	(43,404 )
Total Stockholders' Deficiency	(6,561 )	(2,694 )
Total liabilities and Stockholders' Deficiency	\$41,877	\$5,165

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

**BLUE SPHERE CORP.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	<b>Three months ended</b>	
	<b>March 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUES</b>	\$1,403	\$ —
<b>COST OF REVENUES</b>	(1,315 )	—
<b>GROSS INCOME</b>	88	—
<b>OPERATING EXPENSES</b>		
General and administrative expenses	1,781	993
Other income	(102 )	—
<b>OPERATING LOSS</b>	1,591	993
<b>FINANCIAL EXPENSES, net</b>	1,980	819
<b>NET LOSS FOR THE PERIOD</b>	\$3,571	\$ 1,812
<b>Net loss per common share - basic and diluted</b>	\$(0.018 )	\$(0.033 )
<b>Weighted average number of common shares outstanding during the period - basic and diluted</b>	194,658,706	55,404,305

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

**BLUE SPHERE CORP.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

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

	<b>Three months ended</b>	
	<b>March 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>NET LOSS</b>	\$ 3,571	\$ 1,812
Other comprehensive income loss, net of tax:		
Currency translation adjustments	(19 )	—
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>\$3,552</b>	<b>\$ 1,812</b>

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

**BLUE SPHERE CORP.****STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY (UNAUDITED)**

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

	<b>Common Stock, \$0.001 Par Value</b>		<b>Proceeds</b>	<b>Accumulated</b>			<b>Total</b>	<b>Stockholders'</b>
	<b>Shares</b>	<b>Amount</b>	<b>on account of Shares</b>	<b>Treasury Shares</b>	<b>other comprehensive income</b>	<b>Additional paid-in Capital</b>		
<b>BALANCE AT DECEMBER 31, 2015 (Unaudited)</b>	<b>180,502,443</b>	<b>\$ 1,256</b>	<b>\$ 20</b>	<b>(28 )</b>	<b>—</b>	<b>\$ 39,764</b>	<b>\$ (44,701 )</b>	<b>\$ (3,689 )</b>
<b>CHANGES DURING THE PERIOD OF THREE MONTHS ENDED MARCH 31, 2016 (Unaudited):</b>								
Share based compensation						49		49
Issuance of shares for services	625,000	1				41		42
Issuance of common stock, net of issuance costs	36,000,000	36	(20 )			573		589
Comprehensive loss					19		(3,571 )	(3,552 )
<b>BALANCE AT MARCH 31, 2016 (Unaudited)</b>	<b>217,127,443</b>	<b>\$ 1,293</b>	<b>\$ —</b>	<b>\$ (28 )</b>	<b>\$ 19</b>	<b>\$ 40,427</b>	<b>\$ (48,272 )</b>	<b>\$ (6,561 )</b>

	<b>Common Stock, \$0.001 Par Value</b>		<b>Proceeds on account of</b>	<b>Additional</b>	<b>Accumulated</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>paid-in Capital</b>	<b>deficit</b>	<b>Stockholders' deficiency</b>

<b>BALANCE AT DECEMBER 31, 2014</b> (Unaudited)	<b>51,125,044</b>	<b>\$ 1,127</b>	<b>\$ 20</b>	<b>\$ 35,662</b>	<b>\$ (37,255 )</b>	<b>\$ (446 )</b>
<b>CHANGES DURING THE PERIOD OF THREE MONTHS ENDED MARCH 31, 2015</b> (Unaudited):						
Share based compensation				55		55
Issuance of common stock, net of issuance expenses	609,039	1		81		82
Issuance of shares for services	8,114,867	8		879		887
Issuance of common stock in respect of issuance of convertible notes	9,963,717	10		474		484
Issuance of convertible debentures containing a beneficial conversion feature				181		181
Proceeds on account of shares not yet issued			15			15
Net loss for the period					(1,812 )	(1,812 )
<b>BALANCE AT MARCH 31, 2015</b> (Unaudited)	<b>69,812,667</b>	<b>\$ 1,146</b>	<b>\$ 35</b>	<b>\$ 37,332</b>	<b>\$ (39,067 )</b>	<b>\$ (554 )</b>

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

**BLUE SPHERE CORP.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(U.S. dollars in thousands)

	<b>Three months ended</b>	
	<b>March 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the period	\$(3,571)	\$ (1,812 )
Adjustments required to reconcile net loss to net cash provided by (used in) operating activities:		
Share based compensation expenses	49	55
Depreciation	380	1
Amortization of intangible assets	25	—
Equity in losses on nonconsolidated subsidiary	—	(19 )
Expense in respect of convertible notes and loans	242	719
Changes in Warrants to issue shares	1,191	—
Issuance of shares for services	42	887
Decrease in trade account receivables	685	—
Decrease (increase) in other current assets	(102 )	151
Increase in other long term assets	(225 )	—
Increase (decrease) in accounts payables	(338 )	22
Increase in other account payables	737	108
Net cash provided by (used in) operating activities	(885 )	112
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(60 )	—
Net cash used in investing activities	(60 )	—
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loans received	50	311
Payment of loans and convertible debentures	(303 )	(476 )
Proceeds from issuance of shares and warrants	1,752	82
Proceeds on account of shares	—	15
Proceeds from issuance of convertible debenture	—	212
Net cash provided by financing activities	1,499	144
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>554</b>	<b>256</b>
<b>EFFECT OF CHANGES IN EXCHANGE RATES ON CASH BALANCES IN FOREIGN CURRENCIES</b>	<b>21</b>	<b>—</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>2,732</b>	<b>118</b>

<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$3,307	\$ 374
<b>NON-CASH TRANSACTION:</b>		
Issuance expense paid through warrants issuance	225	—
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest	\$25	\$ —
Income taxes	\$—	\$ —

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

**BLUE SPHERE CORP.**

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 audited 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 condensed 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, 2015, as filed with the U.S. Securities and Exchange Commission. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of results that could be expected for the entire fiscal year.

**NOTE 2 - GENERAL**

Blue Sphere Corp. (“the Company”), together with its wholly-owned subsidiaries, Eastern Sphere Ltd. (“Eastern”), Binosphere LLC (“Binosphere”), Johnstonsphere LLC (“Johnstonsphere”), and Sustainable Energy Ltd. (“SEL”), is focused on project integration in the clean energy production and waste to energy markets.

The Company was incorporated in the state of Nevada on July 17, 2007 and was originally in the business of developing and promoting automotive internet sites. On February 17, 2010, the Company conducted a reverse merger, name change and forward split of its common stock, and in March 2010 current management took over operations, at which point the Company changed its business focus to become a project integrator in the clean energy production and waste to energy markets.

As of March 31, 2016, Johnstonsphere had not commenced operations.

On May 12, 2015 the Company formed Bluesphere Pavia (formerly called Bluesphere Italy S.r.l.). Italy S.r.l, a subsidiary of Eastern in order to acquire certain biogas plants located in Italy (see note 3 below).



**BLUE SPHERE CORP.**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**NOTE 3 – INVESTMENT IN BLUE SPHERE PAVIA**

On August 18, 2015, the Company and two of its wholly-owned subsidiaries, Eastern Sphere Ltd. (“Eastern Sphere”) and BlueSphere Italy, entered into a Long Term Mezzanine Loan Agreement (the “Helios Loan Agreement”) with Helios Italy Bio-Gas 1 L.P. (“Helios”). Under the Helios Loan Agreement, Helios will make up to \$5,646,628 (€5,000,000) available to Bluesphere Pavia (the “Helios Loan”) to finance (a) ninety percent (90%) of the total required investment of the first four SVPs acquired, (b) eighty percent (80%) of the total required investment of up to three SVPs subsequently acquired, (c) certain broker fees incurred in connection with the acquisitions, and (d) any taxes associated with registration of an equity pledge agreement (as described below). Each financing of an SVP acquisition will be subject to specified conditions precedent and will constitute a separate loan under the Helios Loan Agreement. Helios may, within 90 days of a closing, require repayment of ten percent (10%) of the relevant loan and broker fees. If no such repayment is required, Helios may reduce the amount of its commitment to finance the acquisitions of the three additional SVPs to seventy to eighty percent (70-80%) of the total required investment. Helios’s commitment to provide any loan under the Helios Loan Agreement that is not utilized by June 30, 2016 will automatically cancel, unless extended in writing by Helios. Subject to specified terms, representations and warranties, the Helios Loan Agreement provides that each loan thereunder will accrue interest at a rate of 14.5% per annum, paid quarterly. Helios will also be entitled to an annual operation fee, paid quarterly. The final payment for each loan will become due no later than the earlier of (a) thirteen and one half years from the date such loan was made available to Bluesphere Italy, and (b) the date that the Feed in Tariff license granted to the relevant SVP expires. Pursuant to the Helios Loan Agreement and an equity pledge agreement, Eastern Sphere pledged all its shares in Bluesphere Pavia to secure all loan amounts utilized under the Helios Loan Agreement.

On December 14, 2015, and pursuant to a Share Purchase Agreement, dated May 14, 2015 (the “Share Purchase Agreement”), by and among the Company’s indirect wholly-owned subsidiary, Bluesphere Pavia. (formerly called Bluesphere Italy S.r.l.). (“Bluesphere Pavia”), and Volteo Energie S.p.A., Agriholding S.r.l., and Overland S.r.l. (collectively, the “Sellers”), Bluesphere Pavia completed the acquisitions of one hundred percent (100%) of the share capital of Agricerere S.r.l., Agrielektra S.r.l., Agrisorse S.r.l. and Gefa S.r.l. (each, an “SPV” and collectively, the “SPVs”) from the Sellers. Each SPV owns and operates an anaerobic digestion biogas plant in Italy for the production and sale of electricity to Gestore dei Servizi Energetici GSE, S.p.A., a state-owned company, pursuant to a power purchase agreement. Pursuant to the Italy Projects Agreement, the Company also issued a corporate guarantee to the Sellers, whereby the Company will secure the obligations of Bluesphere Pavia under the Italy Projects Agreement.

Pursuant to the Share Purchase Agreement, the Company to pay \$5,646,628 (€5,200,000) (the “Purchase Price”), subject to certain post-closing adjustments, to acquire the share capital of the SPVs. Fifty percent (50%) of the Purchase Price,

adjusted for certain post-closing adjustments and closing costs, in the amount of \$2,143,181 (€1,952,858) was paid at closing, and the balance is due to the Sellers on the third anniversary of the closing date. The portion of the Purchase Price paid at closing was primarily financed by a loan of \$3,149,081 (€2,900,000) pursuant to the Helios Loan Agreement whereas the Company repaid \$281,580 (€255,102) during the three months ended March 31, 2016.

**BLUE SPHERE CORP.**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**NOTE 3 – INVESTMENT IN BLUE SPHERE PAVIA (continued)**

On or around December 2, 2015, the Company also received funds to finance a portion of the Purchase Price in the amount of \$80,000 from a company in which a director of the Company serves as an officer. Such amount was not repaid as of March 31, 2016 and is classified as debentures, notes and loans.

In accordance with a Framework EBITDA Guarantee Agreement, dated July 17, 2015 (the “EBITDA Agreement”), between the Company and Austep S.p.A. (“Austep”), Austep will operate, maintain and supervise each biogas plant owned by the SPVs. In addition, Austep will guarantee a monthly aggregate EBITDA of \$204,147 (€188,000) from the four SPVs for the initial six months following the acquisition, and thereafter Austep will guarantee an annual aggregate EBITDA of \$4,082,946 (€3,760,000) from the four SPVs. Pursuant to the terms of the agreements with Austep, the Company will receive the guaranteed levels of EBITDA and Austep will receive any revenue in excess of these levels.

**NOTE 4 - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated financial statements as of March 31, 2016 and for the three 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 three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

The September 30, 2015 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, 2015.



**BLUE SPHERE CORP.**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**NOTE 5 – SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the annual financial statements of the Company as of September 30, 2015, are applied consistently in these financial statements except for the following:

*a. Business combinations and Goodwill*

The Company accounts for its business combinations using the purchase method of accounting. Under this method, the Company allocates the purchase price to tangible and intangible assets acquired and liabilities assumed based on estimated fair values at the date of acquisition, with the excess of the purchase price amount being allocated to goodwill.

Acquisition-related and integration costs associated to the business combination are expensed as incurred. Changes in estimates associated with future income tax assets after measurement period are recognized as income tax expense with prospective application to all business combinations regardless of the date of acquisition.

Goodwill for each reporting unit is assessed for impairment at least annually, or when an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying amount. An impairment charge is recorded when the carrying amount of the reporting unit exceeds its fair value and is determined as the difference between the goodwill's carrying amount and its implied fair value.

Goodwill consists of allocated acquisition costs of PPAs, which are amortized using the straight-line method over the 15 year terms of the agreements (see Note 3).

*b. Intangible Assets*

Intangible assets consist of non-monetary and separately identifiable assets, which can be controlled and are expected to generate future economic benefits. Such assets are recognized at acquisition and/or production cost, including directly attributable expenses to make the asset ready for use, net of accumulated amortization charges and any impairment losses.

The costs incurred internally to develop new services and platforms are considered intangible assets generated internally and are recognized as assets only if the following requirements are met:

1. the cost incurred for the development of the assets can be reliably measured;
2. the entity has the intention, the availability of financial resources, the ability to complete the assets and to use or sell them;
3. the entity has the intention, the availability of financial resources, the ability to complete the assets and to use or sell them;

Capitalized development costs include only expenses incurred that can be directly attributed to the process of developing new products and services.

Intangible assets with a finite useful life are amortized on a straight-line basis over their useful lives and are tested for impairment when circumstances indicate that the carrying value may be impaired. The amortization period and the amortization method for intangible assets with a finite useful lives are reviewed at least at each reporting date.

**BLUE SPHERE CORP.**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**NOTE 5 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

Changes in expected useful lives, or in the way the future economic benefits will be generated by the assets, are either recognized through a change in the period or in the amortization method and are accounted for as changes in accounting estimates. The amortization charges for intangible assets with a finite useful life are classified in the statement of income, in the costs appropriate for the function of the related intangible assets.

*c. Long-Lived Assets*

When events or changes in circumstances indicate that the carrying amount of long-lived assets, such as capital assets and intangible assets, may not be recoverable, undiscounted estimated cash flows are projected over their remaining term and compared to the carrying amount. To the extent that such projections indicate that future undiscounted cash flows are not sufficient to recover the carrying amounts of related assets, a charge is recorded to reduce the carrying amount to the projected future discounted cash flows.

*d. Revenue recognition*

Revenues related to the sale of electricity are recorded based upon output delivered and capacity provided at rates specified under relevant contract terms.

**NOTE 6 - GOING CONCERN**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As of March 31, 2016, the Company had approximately \$3,307,000 in cash and cash equivalents, approximately \$11,131,000 in negative working capital, a stockholders' deficit of approximately \$6,561,000 and an accumulated deficit of approximately \$48,272,000. Management anticipates their business will require substantial additional investments that have not yet been secured. Management is continuing in the process of fund raising in the

private equity markets as the Company will need to finance future activities. Company's ability to continue as a going concern is dependent upon raising capital from financing transactions and revenue from operations.

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.

**NOTE 7 - 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, 2015 was filed.

**BLUE SPHERE CORP.**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**NOTE 8 – COMMON SHARES**

On January 26, 2016, the Company issued 1,000,000 shares of common stock pursuant to a subscription agreement dated June 12, 2015.

On February 1, 2016 the Company issued 540,000 shares of common stock to a consultant in respect of his consulting services for the Company. The Company has estimated the fair value of such shares, and recorded an expense of \$36,126.

In February 2016, the Company conducted an offering (the “Offering”) consisting of (a) up to USD \$1,925,000 of the Company’s shares of common stock, par value \$0.001 per share (“Common Stock”), priced at the closing price for shares of Common Stock, as reported on the OTCQB Venture Marketplace, on the trading day prior to the closing of the Offering, and (b) 5-year warrants to purchase shares of Common Stock in an amount equal to 50% of the number of shares of Common Stock so purchased by the subscriber (the “Warrants”, together with the shares of Common Stock subscribed for, the “Securities”).

The Securities have been offered pursuant to subscription agreements with each investor (the “Subscription Agreement”). In addition to other customary provisions, each Subscription Agreement provides that the Company will use its reasonable commercial efforts to register all shares of Common Stock sold in the Offering, including all shares of Common Stock underlying the Warrants, within 60 days of the closing of the Offering. The Warrants are exercisable for 5 years from the date of issuance at \$0.10 per share, include an option by which the holder may exercise the Warrant by means of a cashless exercise, and include customary weighted-average price adjustment and anti-dilution terms.

On February 15, 2016, the Company completed the only closing of the Offering, representing aggregate gross proceeds to the Company of \$1,925,000. In connection with the closing, the Company and subscribers entered into (a) Subscription Agreements for, in the aggregate, 35,000,000 shares of Common Stock at \$0.055 per share, and (b) Warrants to purchase, in the aggregate, up to 17,500,000 shares of Common Stock at an exercise price of \$0.10 per share. The warrants were accounted for as derivative liabilities. The Company has estimated the fair value of such warrants at a value of \$933,358 at the date of issuance and using the Black-Scholes option pricing model using the

following assumptions:

	<i>%</i>
Dividend yield	0
Risk-free interest rate	1.20 %
Expected term (years)	5
Volatility	203 %

**BLUE SPHERE CORP.**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**NOTE 8 – COMMON SHARES (continued)**

The Company engaged Maxim Group LLC (“Maxim”) to assist in the Offering. Pursuant to the terms of an engagement letter between Maxim and the Company, Maxim received commissions equal to 7% of the gross proceeds raised by Maxim in the Offering, warrants to purchase, in the aggregate, up to 2,800,000 shares of Common Stock at an exercise price of \$0.0605 per share and to purchase, in the aggregate, up to 1,400,000 shares of Common Stock at an exercise price of \$0.11 per share. The Company has estimated the fair value of such warrants at a value of \$224,413 at the date of issuance and using the Black-Scholes option pricing model using the following assumptions:

	%
Dividend yield	0
Risk-free interest rate	1.20 %
Expected term (years)	5
Volatility	203 %

On March 15, 2016, the Company issued 85,000 shares of common stock to a consultant in respect of his consulting services for the Company. The Company has estimated the fair value of such shares, and recorded an expense of \$5,687.

**NOTE 9 – DEBENTURES AND NOTES**

On February 3, 2016, the Company issued 3-year warrants to purchase up to 1,500,000 shares of Company’s common stock at an exercise price of \$0.06 per share, in full satisfaction of certain obligations of the Company.

The Company has estimated the fair value of such warrants at a value of \$87,331 at the date of issuance using the Black-Scholes option pricing model using the following assumptions:

	%
Dividend yield	0
Risk-free interest rate	1.2 %
Expected term (years)	3
Volatility	203 %

Changes in the fair value of the warrants are recorded as interest expenses.

#### Senior Debentures offering

Beginning in November 2015, the Company conducted an offering (the “Offering”) of up to \$3,000,000 of the Company’s Senior Debentures (the “Debentures”) and Warrants (the “Warrants”, together with the “Debentures”, the “Securities”) to purchase up to 8,000,000 shares of common stock of the Company, par value \$0.001 per share, in proportion pro rata to each Subscriber’s subscription amount relative to the total Offering amount, with 50% of the warrants exercisable at a price per share of \$0.05 and the other 50% of the warrants exercisable at price per share of \$0.075.

**BLUE SPHERE CORP.**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**NOTE 9 – DEBENTURES AND NOTES (continued)**

The Debentures bear interest at 11%, paid quarterly, and mature in two years. The Debentures are secured by a pledge agreement between the Company and each investor, whereby the Company pledged as collateral up to 49% of its shares of common stock in Eastern Sphere, Ltd., our wholly-owned subsidiary (the “Pledge Agreement”). The Pledge Agreement further provides that the Company’s obligations under the Debentures rank senior to all other indebtedness of Blue Sphere Corporation, but are subordinate to all indebtedness and liabilities of its subsidiaries and project-level operating entities. The Warrants are exercisable for 5 years from the date of issuance, with 50% exercisable at \$0.05 per share and 50% exercisable at \$0.075 per share

The warrants were accounted for as derivative liabilities. The Company has estimated the fair value of such warrants at a value of \$208,597 at the date of issuance using the Black-Scholes option pricing model using the following assumptions:

	%
Dividend yield	0
Risk-free interest rate	1.74 %
Expected term (years)	5
Volatility	202 %

The Securities were offered pursuant to subscription agreements with each investor (the “Subscription Agreement”). Pursuant to the Subscription Agreements, the investors in the Offering shall have the right to collectively designate one observer or member to the Company’s Board of Directors.

On December 23, 2015, the Company completed the closing of the Offering and entered into Subscription Agreements with investors representing aggregate gross proceeds to the Company of \$3,000,000.

The Company engaged Maxim Group LLC (“Maxim”) to assist in the Offering. Pursuant to the terms of an engagement letter between Maxim and the Company, Maxim received commissions equal to 7% of the gross proceeds raised by

Maxim in the Offering and warrants to purchase, in the aggregate, up to 4,480,000 shares of Common Stock at an exercise price of \$0.06875 per share. The Company has estimated the fair value of such warrants at a value of \$116,599 at the date of issuance using the Black-Scholes option pricing model using the following assumptions:

	%
Dividend yield	0
Risk-free interest rate	1.74 %
Expected term (years)	5
Volatility	202 %

#### **NOTE 10 – SUBSEQUENT EVENTS**

On April 13, 2016 the Company issued 1,000,000 shares of common stock of the Company to a consultant in consideration for corporate finance, investor communications and financial and investor public relations services. The consulting agreement provides for the issuance of an additional 1,000,000 shares of common stock as a service bonus if the agreement is not terminated prior to June 9, 2016.

On April 13, 2016 the Company issued 875,000 shares of common stock of the Company to a consultant in consideration for investment banking, business and financial consulting, investor relations and communications and operational executive management.

On May 18, 2016, a 1.5-year warrant to purchase shares of common stock, dated May 4, 2015, was exercised into 700,000 shares of common stock at an exercise price of \$0.058 per share, for total consideration of \$40,600.

On June 2, 2016 the Company issued 13,930,742 shares of common stock in consideration for loans in the amount of \$145,526 that were received to finance a portion of the acquisitions of one hundred percent (100%) of the SPVs.

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

You should read the following discussion and analysis in conjunction with our unaudited condensed consolidated financial statements and related notes contained in Part I, Item 1 of this quarterly report.

### **Note Regarding Forward-Looking Statements**

This 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 “could” or the 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) the financial and operating performance of our projects, (iii) uncertainties regarding the market for and value of carbon credits, renewable energy credits and other environmental attributes, (iv) political and governmental risks associated with the countries in which we may operate, (v) unanticipated delays associated with project implementation, including designing, constructing and equipping projects, as well as delays in obtaining required government permits and 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.

### **Company Overview**

### *Summary of Current Operations*

We are an international Independent Power Producer (IPP) that is globally active in the clean energy production and waste-to-energy markets. We are becoming a key player in these rapidly growing markets by developing or acquiring projects with clean energy technologies, including but not limited to waste-to-energy facilities that generate clean energy, such as electricity, natural gas, heat, compost and other by-products. These markets provide tremendous opportunity, insofar as there is a virtually endless supply of waste and organic material that can be used to generate power and valuable by-products. In particular, the disposal of organic material to landfills in most parts of the world is a costly problem with environmentally-damaging consequences. We seek to offer a cost-effective, environmentally-safe alternative.

We are currently developing or operating, as applicable, the following projects:

#### *United States*

Charlotte, NC Waste to Energy Anaerobic Digester 5.2 MW Plant  
Johnston, RI Waste to Energy Anaerobic Digester 3.2 MW Plant

#### *Italy*

Soc. agr. AGRICERERE srl – Tromello (Pavia) 999 KW Plant  
Soc. agr. AGRIELEKTRA srl – Alagna (Pavia) 999 KW Plant  
Soc. agr. AGRISORSE srl - Garlasco (Pavia) 999 KW Plant  
Soc. agr. GEFA srl – Dorno (Pavia) 999 KW Plant

We have also entered into nonbinding letters of intent to acquire additional biogas facilities in Italy and construct and develop a waste-to-energy facility in the Netherlands, and we continue to evaluate a pipeline of similar projects in a less mature phase.

**Results of Operations – For the Three Months Ended March 31, 2016 Compared to the Three Months Ended March 31, 2015**

***General***

As of December 14, 2015, we consolidated our indirect wholly-owned subsidiary, Bluesphere Pavia. Bluesphere Pavia completed the acquisitions of one hundred percent (100%) of the share capital of Agricerere S.r.l., Agrielektra S.r.l., Agrisorse S.r.l. and Gefa S.r.l. (each, an “SPV” and collectively, the “SPVs”) on December 14, 2015. Each SPV owns and operates an anaerobic digestion biogas plant in Italy for the production and sale of electricity to Gestore del Servizi Energetici GSE, S.p.A., a state-owned company, pursuant to a power purchase agreement. Our results of operation have been significantly affected by this transaction.

***Deferred Revenue***

\$1,481,900 of development fees and reimbursements for the North Carolina and Rhode Island projects are recorded as deferred revenue. Upon successful completion of the projects, this amount will be recorded as revenue.

***Revenues***

Revenues for the three-month period ended March 31, 2016 were \$1,403,000, as compared to \$0 for the three-month period ended March 31, 2015. The increase is attributable to the acquisition of the SPVs by our wholly-owned subsidiary, Bluesphere Pavia.

***Cost of Revenues***

Cost of revenues for the three-month period ended March 31, 2016 were \$1,315,000, as compared to \$0 for the three-month period ended March 31, 2015. The increase is attributable to the acquisition of the SPVs by our wholly-owned subsidiary, Bluesphere Pavia.

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

General and administrative expenses for the three-month period ended March 31, 2016 were \$1,781,000, as compared to \$993,000 for the three-month period ended March 31, 2015. The increase is mainly attributable to direct expenses related to the acquisition of the SPVs by our wholly-owned subsidiary, Bluesphere Pavia, and general and administrative expenses of Bluesphere Pavia.

### ***Net Loss***

We incurred a net loss of \$3,571,000 for the three-month period ended March 31, 2016, as compared to a net loss of \$1,812,000 for the three-month period ended March 31, 2015. The increase in net loss is mainly attributable to the results of operations of Bluesphere Pavia, increase in financial expenses and increase of our general and administrative expenses as detailed above.

### ***Inflation and Seasonality***

In management's opinion, our results of operations have not been materially affected by inflation or seasonality, and management does not expect that inflation risk or seasonality would cause material impact on our operations in the 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 for the fiscal year ended September 30, 2015 was filed. The significant accounting policies applied in the annual financial statements of the Company as of September 30, 2015 are applied consistently in these financial statements, except for the following:

#### ***a. Business Combinations and Goodwill***

The Company accounts for its business combinations using the purchase method of accounting. Under this method, the Company allocates the purchase price to tangible and intangible assets acquired and liabilities assumed based on estimated fair values at the date of acquisition, with the excess of the purchase price amount being allocated

to goodwill.

Acquisition-related and integration costs associated with the business combination are expensed as incurred. Changes in estimates associated with future income tax assets after measurement period are recognized as income tax expense with prospective application to all business combinations regardless of the date of acquisition.

Goodwill for each reporting unit is assessed for impairment at least annually, or when an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying amount. An impairment charge is recorded when the carrying amount of the reporting unit exceeds its fair value and is determined as the difference between the goodwill's carrying amount and its implied fair value.

***b. Intangible Assets***

Intangible assets consist of non-monetary and separately identifiable assets, which can be controlled and are expected to generate future economic benefits. Such assets are recognized at acquisition and/or production cost, including directly attributable expenses to make the asset ready for use, net of accumulated amortization charges and any impairment losses. Intangible assets with a finite useful life are amortized on a straight-line basis over their useful lives and are tested for impairment when circumstances indicate that the carrying value may be impaired. The amortization period and the amortization method for intangible assets with a finite useful lives are reviewed at least at each reporting date. (see Note 5 to the Financial Statements).

***c. Long-Lived Assets***

When events or changes in circumstances indicate that the carrying amount of long-lived assets, such as capital assets and intangible assets, may not be recoverable, undiscounted estimated cash flows are projected over their remaining term and compared to the carrying amount. To the extent that such projections indicate that future undiscounted cash flows are not sufficient to recover the carrying amounts of related assets, a charge is recorded to reduce the carrying amount to the projected future discounted cash flows.

***d. Revenue recognition***

Revenues related to the sale of electricity are recorded based upon output delivered and capacity provided at rates specified under relevant contract terms.

**Liquidity and Capital Resources**

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. Significant factors in the management of liquidity are funds generated by operations, levels of accounts receivable and accounts payable and capital expenditures.

As of March 31, 2016, we had cash of \$3,307,00, as compared to \$161,000 as of September 30, 2015. As of March 31, 2016, we had a working capital deficit of \$11,131,000, as compared to \$7,542,000 as of September 30, 2015. The decrease in our working capital deficit is mainly attributable the increase in our deferred revenues from joint ventures in the amount of \$2,879,000, increase in our current maturities of long term loans in the amount of \$1,587,000 and increase in our other accounts payable and liabilities in the amount of \$3,192,000. The increase in our current maturities of long term and other accounts payable is mainly attributable the acquisition of our wholly-owned subsidiary, Blushpere Pavia.

Net cash used in operating activities was \$885,000 for the three-month period ended March 31, 2016, as compared to cash from operating activities of \$112,000 for the three-month period ended March 31, 2015.

Net cash used in investing activities was \$60,000 for the three-month period ended March 31, 2016, as compared to net cash used in investing activities of \$0 for the three-month period ended March 31, 2015.

Net cash provided by financing activities was approximately \$1,499,000 for the three-month period ended March 31, 2016, as compared to approximately \$144,000 for the three-month period ended March 31, 2015. The increase in cash provided by financing activities was mainly attributable to an offering in February 2016 of \$1,925,000 of our shares of common stock, together with warrants to purchase our common stock, in a private placement, as further described in our Form 8-K filed with the SEC on February 17, 2016. We have principally financed our operations through the sale of our common stock and the issuance of convertible debt.

#### **Off-Balance Sheet Arrangements**

As at March 31, 2016, we had no off-balance sheet arrangements of any nature.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

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

#### **ITEM 4. CONTROLS AND PROCEDURES.**

##### *Evaluation of Disclosure Controls and Procedures*

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that is designed to ensure that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Pursuant to Rule 13a-15(b) under the Exchange Act, the Company carried out an evaluation with the participation of the Company's management, including the Company's Chief Executive Officer ("CEO") and the Company's Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15 (e) under the Exchange Act) as of the three months ended March 31, 2016. Based upon that evaluation, the Company's CEO and CFO concluded that, as of the end of such period, the Company's disclosure controls and procedures were not effective in ensuring that (i) information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) information required to be disclosed by us in the reports that we file or submit under 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.

Management is in the process of determining how best to change our current system and implement a more effective system to insure that information required to be disclosed has been recorded, processed, summarized and reported accurately. Our management acknowledges the existence of this issue, and intends to develop procedures to address it to the extent possible given limitations in financial and human resources. While management is working on a plan, no assurance can be made at this point that the implementation of such controls and procedures will be completed in a timely manner, or that they will be adequate once implemented.

##### *Changes in Internal Controls*

Our management, with the participation of our CEO and CFO, performed an evaluation to determine whether any change in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the three-month period ended March 31, 2016. Based on that evaluation, our CEO and our CFO concluded that no change occurred in the Company's internal controls over financial reporting during the three-month period ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

## **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 January 26, 2016, we issued 1,000,000 shares of our common stock in connection with a private offering, and pursuant to a subscription agreement dated June 12, 2015.

On February 1, 2016, we issued 540,000 shares of our common stock pursuant to a consulting agreement dated April 3, 2015, in consideration for consulting services.

On February 3, 2016, we issued 3-year warrants to purchase up to 1,500,000 shares of our common stock at an exercise price of \$0.06 per share, in full satisfaction of certain obligations of the Company.

On February 15, 2016, we completed a private offering representing aggregate gross proceeds to the Company of USD \$1,925,000, pursuant to which we issued (i) 35,000,000 shares of our common stock priced at \$0.055 per share, the closing price for our shares of common stock reported by the OTCQB Venture Marketplace on the trading day

prior to the closing of the offering, and (ii) 5-year warrants to purchase up to 17,500,000 shares of our common stock at an exercise price of \$0.10 per share, which was equal to 50% of the shares purchased in the offering. The Company engaged Maxim Group LLC to assist in the offering, pursuant to which Maxim received 5-year warrants to purchase (a) up to 2,800,000 shares of our common stock at an exercise price of \$0.0605 per share and (b) up to 1,400,000 shares of our common stock at an exercise price of \$0.11 per share. The form and terms of the warrants issued to Maxim were substantially the same as the warrants issued to the February 15, 2016 investors.

On March 15, 2016, we issued 85,000 shares of our common stock outstanding under a consulting agreement, dated February 22, 2015, in consideration for consulting services.

On April 13, 2016, we issued 1,000,000 shares of our common stock to a consultant, pursuant to a consulting agreement dated March 9, 2016, in consideration for corporate finance, investor communications and financial and investor public relations services. The consulting agreement provides for the issuance of an additional 1,000,000 shares of common stock as a service bonus, because the consulting agreement was not terminated prior to June 9, 2016.

On April 13, 2016, we issued an aggregate of 875,000 shares of our common stock to a consultant, pursuant to consulting agreements dated September 1, 2015 and March 1, 2016, in consideration for investment banking, business and financial consulting, investor relations and communications and operational executive management services.

On May 18, 2016, the holder of a 1.5-year warrant to purchase shares of our common stock, dated May 4, 2015, exercised the warrant in full into 700,000 shares of our common stock at the exercise price of \$0.058 per share.

On June 2, 2016, we issued 13,930,742 shares of our common stock in connection with an offering of our common stock and pursuant to subscription agreements dated December 2, 2015, the proceeds of which and were used to finance a portion of the closing of the acquisitions of the SPVs by Bluesphere Pavia (See Note 3 in Part I, Item 1). For a more detailed description, see Part II, Item 5 below.

The transactions described above were exempt from registration under the Securities Act of 1933, as amended, as transactions not involving a public offering.

### ***Issuer Purchases of Equity Securities***

On June 17, 2015, our Board approved a share repurchase program (the “Share Repurchase Program”). Under the Share Repurchase Program, we are authorized to repurchase up to \$500,000 worth of our common stock. We may purchase shares of our common stock on the open market or through privately negotiated transactions from time-to-time and in accordance with applicable laws, rules and regulations. We are not obligated to make any purchases, including at any specific time or in any particular situation. The Share Repurchase Program may be limited or terminated at any time without prior notice.

Our share repurchase activity during the three months ended March 31, 2016 is presented in the table below.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Share Repurchase Program
January 1 to January 31	0	—	0	\$ 471,672
February 1 to February 29	0	—	0	\$ 471,672
March 1 to March 31	0	—	0	\$ 471,672
Total:	0	—	0	\$ 471,672

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

## ITEM 5. OTHER INFORMATION.

The following information is being reported in Item 5 of this Quarterly Report on Form 10-Q, in satisfaction of Item 1.01 and Item 3.02 of a Current Report on Form 8-K, concerning entry into a material definitive agreement and an unregistered sale of equity securities, respectively.

In July 2015, we conducted a private placement of up to \$250,000 of our common stock at \$0.0176 per share to certain accredited investors (the “July Offering”). On December 2, 2015, we closed on the July Offering, resulting in gross proceeds to the Company of \$225,526, and agreed to issue 21,588,871 shares of our common stock at \$0.0104 per share (the “July 2015 Shares”), pursuant to certain subscription agreements (the “July Offering Subscription Agreements”). All investors in the July Offering were part of group led by a member of our Board of Directors, and one of the investors included a company in which he is the chief executive officer, but has no equity interest.

The proceeds to the Company of the July Offering were received in December 2015, and were used to finance a portion of the closing of the acquisitions of the purchase of the SPVs by Bluesphere Pavia (See Note 3 in Part I, Item 1).

On June 2, 2016, we issued 13,930,742 shares of our common stock pursuant to all but one of the July Offering Subscription Agreements dated December 2, 2015, with the issuance of the remaining 7,658,129 shares of our common stock currently in process. The Company did not utilize the services of, or pay any commissions to, a broker-dealer or third party in connection with the July Offering.

The foregoing description of the July Offering Subscription Agreements does not purport to be complete and is qualified in its entirety by reference to the full text of the form of July Offering Subscription Agreements filed as Exhibit 10.7 to this Quarterly Report, and incorporated herein by reference. The representations, warranties and covenants contained in the July Offering Subscription Agreements were made solely for the benefit of the parties to the agreement and may be subject to limitations agreed upon by the contracting parties. Accordingly, the form or July Offering Subscription Agreement is incorporated herein by reference only to provide investors with information regarding its terms and not to provide investors with any other factual information regarding the Company or its business, and should be read in conjunction with the disclosures in the Company’s periodic reports and other SEC filings.

The Company is providing this information in accordance with Rule 135c under the Securities Act of 1933, as amended (the “Securities Act”), and the notice contained herein does not constitute an offer to sell the Company’s

securities, and is not a solicitation for an offer to purchase the Company's securities. The Company has sold shares of common stock in a private placement in reliance on the exemption from registration afforded by Section 4(a)(2) of the Securities Act and Regulation D and/or Regulation S promulgated thereunder since, among other things, the above transaction did not involve a public offering. Additionally, the Company relied on similar exemptions under applicable state laws. The investor in the sale had access to information about the Company and its investments, took July 2015 Shares for investment and not resale, and the Company took appropriate measures to restrict the transfer of the July 2015 Shares. Upon issuance, the resale of the July 2015 Shares will not be registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

**ITEM 6. EXHIBITS.**

<b>No.</b>	<b>Description</b>
10.1	Form of Securities Subscription Agreement, dated February 15, 2016 (1)
10.2	Form of Warrant, dated February 15, 2016 (1)
10.3	Share Sale and Purchase Agreement, dated March 10, 2016, between Blue Sphere Corporation and Voltape Ltd. (2)
10.4	License Termination Agreement, dated March 13, 2016, between Blue Sphere Corporation and Nanyang Technological University (2)
10.5*	Services Agreement, effective as of May 1, 2016, between Blue Sphere Corporation and Mr. Ran Daniel (3)
10.6	<u>Form of February 3, 2016 Warrant**</u>
10.7	<u>Form of July Offering Subscription Agreement. **</u>
31.1	<u>Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer</u>
31.2	<u>Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer</u>
32.1	<u>Section 1350 Certification of Chief Executive Officer</u>
32.2	<u>Section 1350 Certification of Chief Financial Officer</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to our current report on Form 8-K filed with the SEC on February 17, 2016.

(2) Incorporated by reference to our current report on Form 8-K filed with the SEC on March 29, 2016.

(3) Incorporated by reference to our current report on Form 8-K filed with the SEC on May 4, 2016.

\* Indicates management contract or compensatory plan or arrangement.

\*\* Filed herewith.

**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 CORPORATION**

By: /s/ Shlomi Palas  
President, Chief Executive Officer, Secretary and Director  
(Principal Executive Officer)  
Date: June 13, 2016

By: /s/ Ran Daniel  
Chief Financial Officer  
(Principal Accounting Officer and Principal Financial Officer)  
Date: June 13, 2016