



**CAN-FITE BIOPHARMA LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2013**

**UNAUDITED**

**INDEX**

	<b>Page</b>
<b>Review of Interim Consolidated Financial Statements</b>	<b>2</b>
<b>Consolidated Statements of Financial Position</b>	<b>3 - 4</b>
<b>Consolidated Statements of Profit or Loss and Other Comprehensive Income</b>	<b>5</b>
<b>Consolidated Statements of Changes in Equity</b>	<b>6 - 7</b>
<b>Consolidated Statements of Cash Flows</b>	<b>8 - 9</b>
<b>Notes to Interim Consolidated Financial Statements</b>	<b>10 - 15</b>

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## **Auditors' review report to the shareholders of Can-Fite Biopharma Ltd.**

### **Introduction**

We have reviewed the accompanying financial information of Can-Fite Biopharma Ltd. and its subsidiary ("the Group"), which comprises the condensed consolidated statement of financial position as of March 31, 2013 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months period then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the abovementioned, based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Haifa, Israel  
May 30, 2013

KOST FORER GABBAY & KASIERER  
A Member of Ernst & Young Global

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<u>March 31,</u>		<u>December 31,</u>
	<u>2013</u>	<u>2012</u>	<u>2012</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	19,181	10,230	4,278
Accounts receivable	<u>2,293</u>	<u>3,357</u>	<u>1,672</u>
	<u>21,474</u>	<u>13,587</u>	<u>5,950</u>
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment, net	<u>170</u>	<u>187</u>	<u>159</u>
	<u><u>21,644</u></u>	<u><u>13,774</u></u>	<u><u>6,109</u></u>

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	March 31,		December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in thousands		
<b>LIABILITIES AND EQUITY (DEFICIENCY)</b>			
<b>CURRENT LIABILITIES:</b>			
Trade payables	2,081	2,489	2,821
Other accounts payable	3,120	2,973	4,586
Options exercisable into shares (series 6)	173	64	149
Options exercisable into shares (series 7)	565	-	773
Options exercisable into shares (series 8)	154	-	357
	<u>6,093</u>	<u>5,526</u>	<u>8,686</u>
<b>NON-CURRENT LIABILITIES:</b>			
Options exercisable into shares (series 7)	-	882	-
Options exercisable into shares (series 10)	3,776	-	-
Options exercisable into shares (series 11)	3,963	-	-
Employee benefit liabilities, net	69	86	68
	<u>7,808</u>	<u>968</u>	<u>68</u>
	<u>13,901</u>	<u>6,494</u>	<u>8,754</u>
<b>EQUITY (DEFICIENCY) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b>			
Share capital	3,568	2,608	2,734
Share premium	251,060	229,414	233,754
Capital reserve from share-based payment transactions	15,422	14,744	15,279
Options exercisable into shares (series 9)	669	-	669
Treasury shares	(5,805)	*) (5,805)	*) (5,805)
Adjustments arising from translating financial statements of foreign operations	13	26	84
Accumulated deficit	<u>(258,802)</u>	<u>*) (234,265)</u>	<u>*) (251,359)</u>
	6,125	6,722	(4,644)
Non-controlling interests	<u>1,618</u>	<u>558</u>	<u>1,999</u>
<b>Total equity (deficiency)</b>	<u>7,743</u>	<u>7,280</u>	<u>(2,645)</u>
	<u>21,644</u>	<u>13,774</u>	<u>6,109</u>

\*) Reclassified.

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

May 30, 2013			
Date of approval of the financial statements	Mr. Ilan Cohn Chairman of the Board	Prof. Pnina Fishman Member of the Board and CEO	Mr. Motti Farbstein Chief Operating and Financial Officer

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2012</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in thousands (except per share data)</b>		
Research and development expenses	3,552	4,015	13,160
General and administrative expenses	2,747	1,850	9,272
Other income	(5)	(61)	(42)
Operating loss	<u>6,294</u>	<u>5,804</u>	<u>22,390</u>
Finance expenses	1,758	284	27
Finance income	<u>(132)</u>	<u>(452)</u>	<u>(541)</u>
Loss before taxes on income	7,920	5,636	21,876
Taxes on income	<u>-</u>	<u>-</u>	<u>11</u>
Loss	7,920	5,636	21,887
Other comprehensive loss (income) - items to be reclassified or that are reclassified to profit or loss when specific conditions are met: Adjustments arising from translating financial statements of foreign operations	<u>87</u>	<u>59</u>	<u>(7)</u>
Total comprehensive loss	<u>8,007</u>	<u>5,695</u>	<u>21,880</u>
Loss attributable to:			
Equity holders of the Company	7,443	3,726	20,820
Non-controlling interests	<u>477</u>	<u>1,910</u>	<u>1,067</u>
	<u>7,920</u>	<u>5,636</u>	<u>21,887</u>
Total comprehensive loss attributable to:			
Equity holders of the Company	7,514	3,775	20,811
Non-controlling interests	<u>493</u>	<u>1,920</u>	<u>1,069</u>
	<u>8,007</u>	<u>5,695</u>	<u>21,880</u>
Loss per share attributable to equity holders of the Company (in NIS): Basic and diluted loss per share	<u>0.76</u>	<u>*) 0.36</u>	<u>*) 2.18</u>

\*) Adjusted for capital consolidation (see Note 4b4).

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## Attributable to equity holders of the Company

	Share capital	Share premium	Capital reserve from share-based payment transactions	Options exercisable into shares (series 9)	Treasury shares	Adjustments arising from translating financial statements of foreign operations	Accumulated deficit	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
Balance as of January 1, 2013 (audited)	2,734	233,754	15,279	669	*) (5,805)	84	*) (251,359)	(4,644)	1,999	(2,645)
Loss	-	-	-	-	-	-	(7,443)	(7,443)	(477)	(7,920)
Other comprehensive loss	-	-	-	-	-	(71)	-	(71)	(16)	(87)
Total comprehensive loss	-	-	-	-	-	(71)	(7,443)	(7,514)	(493)	(8,007)
Exercise of unlisted share options	86	-	-	-	-	-	-	86	-	86
Issuance of shares **)	748	17,306	-	-	-	-	-	18,054	-	18,054
Cost of share-based payment	-	-	143	-	-	-	-	143	112	255
Balance as of March 31, 2013	<u>3,568</u>	<u>251,060</u>	<u>15,422</u>	<u>669</u>	<u>(5,805)</u>	<u>13</u>	<u>(258,802)</u>	<u>6,125</u>	<u>1,618</u>	<u>7,743</u>
Balance as of January 1, 2012 (audited)	2,606	229,299	14,670	-	*) (5,805)	75	*) (230,539)	10,306	2,221	12,527
Loss	-	-	-	-	-	-	(3,726)	(3,726)	(1,910)	(5,636)
Other comprehensive loss	-	-	-	-	-	(49)	-	(49)	(10)	(59)
Total comprehensive loss	-	-	-	-	-	(49)	(3,726)	(3,775)	(1,920)	(5,695)
Exercise of unlisted share options	1	40	-	-	-	-	-	41	-	41
Exercise of options (series 5)	1	75	-	-	-	-	-	76	-	76
Cost of share-based payment	-	-	74	-	-	-	-	74	257	331
Balance as of March 31, 2012	<u>2,608</u>	<u>229,414</u>	<u>14,744</u>	<u>-</u>	<u>*) (5,805)</u>	<u>26</u>	<u>*) (234,265)</u>	<u>6,722</u>	<u>558</u>	<u>7,280</u>

\*) Reclassified.

\*\*\*) Net of issuance expenses of NIS 1,951 thousand.

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## Attributable to equity holders of the Company

	Share capital	Share premium	Capital reserve from share-based payment transactions	Options exercisable into shares (series 9)	Treasury shares	Adjustments arising from translating financial statements of foreign operations	Accumulated deficit	Total	Non-controlling interests	Total equity
	Audited									
	NIS in thousands									
Balance as of January 1, 2012	2,606	229,299	14,670	-	*) (5,805)	75	*) (230,539)	10,306	2,221	12,527
Loss	-	-	-	-	-	-	(20,820)	(20,820)	(1,067)	(21,887)
Other comprehensive income (loss)	-	-	-	-	-	9	-	9	(2)	7
Total comprehensive loss	-	-	-	-	-	9	(20,820)	(20,811)	(1,069)	(21,880)
Exercise of unlisted share options	5	171	-	-	-	-	-	176	-	176
Exercise of options (series 5)	1	75	-	-	-	-	-	76	-	76
Issuance of shares and options (series 9)	122	4,209	-	669	-	-	-	5,000	-	5,000
Cost of share-based payment	-	-	609	-	-	-	-	609	847	1,456
Balance as of December 31, 2012	<u>2,734</u>	<u>233,754</u>	<u>15,279</u>	<u>669</u>	<u>*) (5,805)</u>	<u>84</u>	<u>*) (251,359)</u>	<u>(4,644)</u>	<u>1,999</u>	<u>(2,645)</u>

\*) Reclassified.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2012</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in thousands</b>		
<u>Cash flows from operating activities:</u>			
Loss	(7,920)	(5,636)	(21,887)
Adjustments to reconcile loss to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Depreciation of property, plant and equipment	14	87	86
Cost of share-based payment	161	331	1,456
Finance income	(1)	(15)	(50)
Gain from sale of property, plant and equipment	(5)	(61)	(42)
Increase (decrease) in employee benefit liabilities, net	1	(104)	(122)
Taxes on income	-	-	11
Decrease in fair value of options exercisable into shares (series 5)	-	(138)	(138)
Increase (decrease) in fair value of options exercisable into shares (series 6)	24	(332)	(247)
Increase (decrease) in fair value of options exercisable into shares (series 7)	(208)	89	(20)
Increase (decrease) in fair value of options exercisable into shares (series 8)	(203)	-	8
Increase in fair value of options exercisable into shares (series 10)	1,143	-	-
Increase in fair value of options exercisable into shares (series 11)	824	-	-
Exchange differences on balances of cash and cash equivalents	(101)	58	(217)
	<u>1,649</u>	<u>(85)</u>	<u>725</u>
Changes in asset and liability items:			
Decrease (increase) in accounts receivable	(621)	403	2,088
Increase (decrease) in trade payable	(740)	559	891
Increase (decrease) in other accounts payable	(1,466)	287	1,900
	<u>(2,827)</u>	<u>1,249</u>	<u>4,879</u>
Cash paid and received during the period for:			
Interest received	1	15	50
Taxes paid	-	-	(11)
	<u>1</u>	<u>15</u>	<u>39</u>
Net cash used in operating activities	<u>(9,096)</u>	<u>(4,457)</u>	<u>(16,244)</u>

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



**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2012</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in thousands</b>		
<u>Cash flows from investing activities:</u>			
Purchase of property, plant and equipment	(26)	-	(17)
Proceeds from sale of property, plant and equipment	6	65	92
Net cash provided by (used in) investing activities	(20)	65	75
<u>Cash flows from financing activities:</u>			
Issuance of share capital (net of issuance expenses)	18,148	-	4,331
Proceeds on account of options (series 8 and 9) (net of issuance expenses)	-	-	1,018
Proceeds on account of options (series 10 and 11) (net of issuance expenses)	5,772	-	-
Exercise of unlisted share options	86	41	176
Exercise of options (series 5)	-	76	76
Net cash provided by financing activities	24,006	117	5,601
Exchange differences on balances of cash and cash equivalents	13	(117)	224
Decrease in cash and cash equivalents	14,903	(4,392)	(10,344)
Cash and cash equivalents at the beginning of the period	4,278	14,622	14,622
Cash and cash equivalents at the end of the period	19,181	10,230	4,278

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1:- GENERAL**

- a. These financial statements have been prepared in a condensed format as of March 31, 2013 and for the three months period then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2012 and for the year then ended and accompanying notes ("annual consolidated financial statements").
- b. In the three months period ended March 31, 2013, Company incurred losses of NIS 7,443 thousand and it has negative cash flows from operating activities in the amount of NIS 8,411 thousand as well as accumulated losses from previous years. In addition, based on the decision of the Board, the Company has undertaken to finance the subsidiary's clinical development until the latter manages to raise capital. The Company has not yet generated any material revenues from the sale of its own developed products and has financed its activities by raising capital and by collaborating with multinational companies in the industry. On February 5, 2013, the Company raised a net total of NIS 23,920 thousand, see Note 3e). Furthermore, the Company is acting to continue to finance its operating activities by raising capital and collaborating with multinational companies in the industry. The Company has other alternative plans for financing its ongoing activities, such as adding to the Company's existing flexibility in the progress of carrying out clinical trials. The Company's management and board of directors are of the opinion that these financial resources will be used for operating activities at least until the end of 2014.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

- a. Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" and in accordance with the disclosure requirements of Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

- b. New standards, interpretations and amendments applied for the first time by the Company:

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, except as noted below:

*IFRS 10, "Consolidated Financial Statements":*

IFRS 10 supersedes IAS 27 regarding the accounting treatment in respect of consolidated financial statements and includes the accounting treatment for the consolidation of structured entities previously accounted for under SIC 12, "Consolidation - Special Purpose Entities".

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The application of IFRS 10 for the first time did not have a material effect on the Company's financial statements.

*IAS 19 (Revised), "Employee Benefits":*

In June 2011, the IASB issued IAS 19 (Revised) which is to be applied commencing January 1, 2013. The principal amendments address the accounting treatment of defined benefit plan.

The application of IAS 19 for the first time did not have a material effect on the Company's financial statements.

**NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD**

- a. On January 27, 2013, the Petach-Tikva District Court granted the Company's request to extend the exercise period of all the options (series 6) by September 1, 2013 according to the general meeting's decision of January 10, 2013.
- b. On January 29, 2013, the subsidiary's board of directors approved the addendum to the 2012 option plan. On February 7, 2013, it was approved by the Israeli Tax Authority and on March 8, 2013 the plan came into effect.
- c. On February 3, 2013, the Company's board of directors approved the private placement of 1,682,000 options (series 10) of the Company which are exercisable into 1,682,000 Ordinary shares of NIS 0.01 par value each of the Company (before the capital consolidation, see Note 4b4) to the Company's external advisors. The placement was part of the issuance expenses accumulated in the Company in said capital raising round, as discussed in e below. The exercise price of the options is NIS 0.394 per option. The last exercise date of the options is October 31, 2015, inclusive. Assuming full exercise of all the options, they will represent about 0.47% of the issued and outstanding share capital and about 0.34% on a fully-diluted basis. The total value of the compensation is approximately NIS 125 thousand.
- d. On February 4, 2013, the Company signed a revised agreement with the NIH for updating the milestone dates. The revised agreement has no effect on the original license terms agreed with the NIH.
- e. On February 5, 2013, the Company offered the public securities according to a shelf proposal report which was published on the basis of a shelf prospectus which the Company had published on July 26, 2012. The securities were offered to the public in 6,927 units ("the units") by a tender in minimum unit's price of NIS 3,144 thousand per unit. Each unit comprises 10,000 Ordinary shares at NIS 0.3144 per share, 5,000 options (series 10) and 5,000 options (series 11), both series at no consideration.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)**

Each option (series 10) is exercisable into one Ordinary share of NIS 0.01 par value (before the capital consolidation, see Note 4b4) for NIS 0.394, linked to the Israeli CPI the base index being the index for December 2012. The options may be exercised by October 31, 2015.

In addition, each option (series 11) is exercisable into one Ordinary share of NIS 0.01 par value (before the capital consolidation, see Note 4b4) for NIS 0.392, linked to the Israeli CPI the base index being the index for December 2012. The options may be exercised by April 30, 2016.

Due to the oversubscription, 7,477 units were applied for at a price of NIS 3,544 per unit for total proceeds of NIS 23,920 thousand (net of issuance expenses of approximately NIS 2,572 thousand). The issuance proceeds were received on February 5, 2013. Until the use of the issuance proceeds, the cash from the issuance proceeds are held in the Company's accounts and will be invested by it in accordance with the Company's investment policy as it will be from time to time, provided that every aforesaid investment will be in solid investment tracks, including and without derogating from the generality of the aforesaid, a shekel interest bearing deposit or a foreign currency interest bearing deposit.

The shares were listed for trading on February 5, 2013.

- f. On February 5, 2013, 6,040,332 unlisted options were exercised into 6,040,332 shares of NIS 0.01 par value each (before the capital consolidation, see Note 4b4) of the Company by an interested party in the Company in consideration of approximately NIS 61 thousand.

On March 5, 2013, 143,187 unlisted options were exercised into 143,187 shares of NIS 0.01 par value each (before the capital consolidation, see Note 4b4) of the Company by an external advisor of the Company. The exercise proceeds are immaterial.

On March 24, 2013, 2,472,107 unlisted options were exercised into 2,472,107 shares of NIS 0.01 par value each (before the capital consolidation, see Note 4b4) of the Company by a director in the Company in consideration of approximately NIS 24 thousand.

- g. On February 28, 2013, OphthaliX's board of directors approved the appointment of the new CEO who had been appointed with such board of directors' approval in the meeting of December 12, 2012, in accordance with its decision to terminate the former CEO's service. Because the new CEO also acts as the Company's CBDO, his salary related expenses will be equally allocated between the Company and the subsidiary. The new CEO's appointment is effective from March 1, 2013.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)**

- h. On March 21, 2013, the Company's board of directors approved a private placement of 740,000 unlisted options which are exercisable into 740,000 shares of NIS 0.01 par value each (before the capital consolidation, see Note 4b4) of the Company to two employees of the Company, three senior officers and three advisors. The exercise price of the options is NIS 0.326 per option. The options can be exercised for a period of 48 months from the date of grant over eight quarters. The term of the options is ten years from the date of grant. Assuming full exercise of all the options, they will represent about 0.21% of the issued and outstanding share capital and about 0.15% on a fully-diluted basis. The total value of the compensation is NIS 141 thousand.

The general manager of the stock exchange approved to list the options for trading on May 6, 2013.

**NOTE 4:- EVENTS AFTER THE REPORTING PERIOD**

- a. On April 17, 2013, the Company filed with the US Securities and Exchange Commission (SEC) a non-public registration statement 20F to register the Company's shares for trading in a main US stock exchange (NASDAQ or NYSE) via ADRs (American Depository Receipts), subject to receiving the needed approvals from the SEC.
- b. On May 2, 2013, the general meeting of the Company's shareholders was convened and accepted the following decisions:
1. To reappoint Kost Forer Gabbay & Kasierer as the Company's auditors for 2013 and to authorize the Company's board of directors to determine their fee;
  2. To reappoint Pnina Fishman, Ilan Cohn, Avraham Sartani, Liora Lev and Guy Regev as directors in the Company until the next annual general meeting of the Company;
  3. Private placement of 250,000 options (unlisted) which are exercisable into 250,000 Ordinary shares of NIS 0.01 par value each (before the capital consolidation, see 4) of the Company to the Company's director. The exercise price of the options is NIS 0.6 per option. According to the binomial model, the economic value of the options on the date when the Company's board of directors accepted the decision was NIS 0.148 per option and a total of NIS 36 thousand for all options, this based on the following inputs: closing price of the Company's shares of NIS 0.326, ranges of risk-free interest of 1.64%-6.86%, life of options of 10 years, annual volatility range of 57.58%-72.10%, annual employee turnover of 5%, early exercise factor of 2.5 and distribution of annual dividend of 0%.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 4:- EVENTS AFTER THE REPORTING PERIOD (Cont.)**

The director is entitled to exercise half of the number of options granted to him immediately upon their grant and the other half is exercisable every quarter over a period of two years.

The 250,000 shares deriving from option exercise will represent about 0.28% on a fully-diluted basis.

The general manager of the stock exchange approved to list the shares deriving from the options for trading on May 6, 2013.

4. The Company's authorized capital was increased by NIS 500,000,000 par value of Ordinary shares of NIS 0.01 par value each such that the Company's authorized capital will be 10,000,000 divided into 1,000,000,000 Ordinary shares of NIS 0.01 par value each. The Company's authorized share capital and the issued and outstanding share capital were consolidated at the ratio of 1:25. The Company's authorized share capital after the consolidation is NIS 10 million divided into 40 million Ordinary shares of NIS 0.25 par value each.

The effective date for the consolidation is May 10, 2013.

The date on which the consolidation actually takes effect is May 12, 2013.

According to the terms of the options (series 6 to 11) and according to the terms of the Company's unlisted options issued under private placements to directors, employees, advisors and officers pursuant to the option plan which the Company had adopted on June 30, 2003, the number of shares deriving from exercise of any option will be proportionately adjusted to account for the capital consolidation such that each option may be exercised into 0.04 of one consolidated Ordinary share of the Company of NIS 0.25 par value. The exercise price of each option will not undergo any change. However, the exercise price paid per one share will be multiplied by 25.

5. Amending the Company's articles of association due to the increase in the Company's capital and its consolidation.
- c. On May 12, 2013, there was a change in the number of dormant shares held by OphthaliX after the capital consolidation (see b4) from 17,158,132 Ordinary shares of NIS 0.01 par value each to 714,922 Ordinary shares of NIS 0.25 par value each.
  - d. On May 20, 2013, one of the advisors informed that he waives on 80,000 unlisted options he was awarded on March 21, 2013 (see Note 3h).

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 4:- EVENTS AFTER THE REPORTING PERIOD (Cont.)**

- e. On May 30, 2013, the board of directors of OphthaliX approved grant of unlisted options of OphthaliX to directors, officers and advisors of OphthaliX with total value of approximately \$ 430 thousand. The grant of options to directors in OphthaliX is subject to the approval of the meeting of OphthaliX shareholders which is expected to take place in June 2013.
- f. On May 30, 2013, the Company's board of directors chose Ilan Cohn to be the chairman of the board of directors.

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**CAN-FITE BIOPHARMA LTD.**

**FINANCIAL DATA FROM THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**ATTRIBUTABLE TO THE COMPANY**

**AS OF MARCH 31, 2013**

**UNAUDITED**

**INDEX**

	<u>Page</u>
<b>Special Report in accordance with Regulation 38d</b>	<b>2</b>
<b>Special Auditor's Report</b>	<b>3</b>
<b>Financial Data from the Consolidated Statements of Financial Position Attributable to the Company</b>	<b>4 - 5</b>
<b>Financial Data from the Consolidated Statements of Profit or Loss and Other Comprehensive Income Attributable to the Company</b>	<b>6</b>
<b>Financial Data from the Consolidated Statements of Cash Flows Attributable to the Company</b>	<b>7 - 8</b>
<b>Additional Information</b>	<b>9 - 12</b>

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**CAN-FITE BIOPHARMA LTD.**

**Special Report in accordance with Regulation 38d**

**Financial Data and Financial Information from the Interim Consolidated Financial Statements**

**Attributable to the Company**

The following separate financial data and financial information attributable to the Company are derived from the interim consolidated financial statements of the Group as of March 31, 2013 ("the consolidated financial statements") which were disclosed in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

To  
The Shareholders of  
Can-Fite Biopharma Ltd.

Re: **Special Auditor's Report on Separate Interim Financial Information in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970**

### **Introduction**

We have reviewed the separate interim financial information disclosed in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 of Can-Fite Biopharma Ltd. ("the Company") as of March 31, 2013 and for the three months period then ended. The Company's board of directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of the separate interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the separate interim financial information is not prepared, in all material respects, in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Haifa, Israel  
May 30, 2013

KOST FORER GABBAY & KASIERER  
A Member of Ernst & Young Global

**Financial Data from the Consolidated Statements of Financial Position  
Attributable to the Company**

	<u>March 31,</u>		<u>December 31,</u>
	<u>2013</u>	<u>2012</u>	<u>2012</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	17,247	1,064	1,563
Subsidiary	1,533	1,254	-
Accounts receivable	1,790	1,330	710
	<u>20,570</u>	<u>3,648</u>	<u>2,273</u>
<b>NON-CURRENT ASSETS:</b>			
Royalty rights	1,500	13,198	1,756
Property, plant and equipment, net	163	187	159
	<u>1,663</u>	<u>13,385</u>	<u>1,915</u>
	<u>22,233</u>	<u>17,033</u>	<u>4,188</u>

The accompanying additional information is an integral part of the separate financial data and financial information.

**Financial Data from the Consolidated Statements of Financial Position  
Attributable to the Company**

	<u>March 31,</u>		<u>December 31,</u>
	<u>2013</u>	<u>2012</u>	<u>2012</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
<b>LIABILITIES AND EQUITY (DEFICIENCY)</b>			
<b>CURRENT LIABILITIES:</b>			
Trade payables	2,041	2,467	2,808
Subsidiary	-	-	269
Other accounts payable	2,568	2,366	3,856
Options exercisable into shares (series 6)	173	64	149
Options exercisable into shares (series 7)	565	-	773
Options exercisable into shares (series 8)	154	-	357
	<u>5,501</u>	<u>4,897</u>	<u>8,212</u>
<b>NON-CURRENT LIABILITIES:</b>			
Excess of losses over investment in subsidiary	2,799	4,446	552
Options exercisable into shares (series 7)	-	882	-
Options exercisable into shares (series 10)	3,776	-	-
Options exercisable into shares (series 11)	3,963	-	-
Employee benefit liabilities, net	69	86	68
	<u>10,607</u>	<u>5,414</u>	<u>620</u>
	<u>16,108</u>	<u>10,311</u>	<u>8,832</u>
<b>EQUITY (DEFICIENCY) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b>			
Share capital	3,568	2,608	2,734
Share premium	251,060	229,414	233,754
Capital reserve from share-based payment transactions	15,422	14,744	15,279
Options exercisable into shares (series 9)	669	-	669
Treasury shares	(5,805)	*) (5,805)	*) (5,805)
Accumulated deficit	(258,789)	*) (234,239)	*) (251,275)
<b>Total equity (deficiency)</b>	<u>6,125</u>	<u>6,722</u>	<u>(4,644)</u>
	<u>22,233</u>	<u>17,033</u>	<u>4,188</u>

\*) Reclassified.

The accompanying additional information is an integral part of the separate financial data and financial information.

May 30, 2013			
Date of approval of the financial statements	Mr. Ilan Cohn Chairman of the Board	Prof. Pnina Fishman Member of the Board and CEO	Mr. Motti Farbstein Chief Operating and Financial Officer

**Financial Data from the Consolidated Statements of Profit or Loss and  
Other Comprehensive Income Attributable to the Company**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2012</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in thousands (except per share data)</b>		
Research and development expenses	1,270	2,100	5,877
General and administrative expenses	2,058	1,087	6,871
Other income	(5)	(61)	(42)
Operating loss	<u>3,323</u>	<u>3,126</u>	<u>12,706</u>
Finance expenses	1,974	164	4,258
Finance income	(29)	(8,267)	(1,017)
Income (loss) before taxes on income	5,268	(4,977)	15,947
Taxes on income	-	-	11
Loss (income) before equity losses	5,268	(4,977)	15,958
Equity losses	<u>2,175</u>	<u>8,703</u>	<u>4,862</u>
Loss attributable to the Company	7,443	3,726	20,820
Other comprehensive loss (income)	<u>71</u>	<u>49</u>	<u>(9)</u>
Total comprehensive loss attributable to the Company	<u><u>7,514</u></u>	<u><u>3,775</u></u>	<u><u>20,811</u></u>
Loss per share attributable to equity holders of the Company (in NIS):			
Basic and diluted loss per share	<u><u>0.72</u></u>	<u><u>*) 0.36</u></u>	<u><u>*) 2.07</u></u>

\*) Adjusted for capital consolidation (see 3b4).

The accompanying additional information is an integral part of the separate financial data and financial information.

**Financial Data from the Consolidated Statements of Cash Flows  
Attributable to the Company**

	Three months ended March 31,		Year ended December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in thousands		
<u>Cash flows from operating activities of the Company:</u>			
Loss attributable to the Company	(7,443)	(3,726)	(20,820)
Adjustments to reconcile loss to net cash used in operating activities of the Company:			
Adjustments to the profit or loss items of the Company:			
Depreciation of property, plant and equipment	13	87	86
Cost of share-based payment	49	74	609
Revaluation of investment in subsidiary	256	(7,710)	3,732
Gain from sale of property, plant and equipment	(5)	(61)	(42)
Finance income	-	(4)	
Interest income on deposits	(1)		(23)
Change in employee benefit liabilities, net	1	(104)	(122)
Equity losses	2,176	8,703	4,862
Taxes on income	-	-	11
Decrease in fair value of options exercisable into shares (series 5)	-	(138)	(138)
Increase (decrease) in fair value of options exercisable into shares (series 6)	24	(332)	(247)
Increase (decrease) in fair value of options exercisable into shares (series 7)	(208)	89	(20)
Increase (decrease) in fair value of options exercisable into shares (series 8)	(203)	-	8
Increase in fair value of options exercisable into shares (series 10)	1,143	-	-
Increase in fair value of options exercisable into shares (series 11)	824	-	-
Exchange differences on balances of cash and cash equivalents	(101)	107	(217)
	<u>3,968</u>	<u>711</u>	<u>8,499</u>
Changes in asset and liability items of the Company:			
Decrease (increase) in accounts receivable	(1,080)	244	864
Decrease (increase) in subsidiary	(1,802)	1,456	-
Increase (decrease) in trade payable	(767)	557	898
Increase (decrease) in other accounts payable	(1,288)	268	4,737
	<u>(4,937)</u>	<u>2,525</u>	<u>6,499</u>
Cash paid and received in the Company during the period for:			
Interest received	1	4	23
Taxes paid	-	-	(11)
	<u>1</u>	<u>4</u>	<u>12</u>
Net cash used in operating activities of the Company	<u>(8,411)</u>	<u>(486)</u>	<u>(5,810)</u>

The accompanying additional information is an integral part of the separate financial data and financial information.

**Financial Data from the Consolidated Statements of Cash Flows  
Attributable to the Company**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2012</b>
	<b>Unaudited</b>		<b>Audited</b>
<b>NIS in thousands</b>			
<u>Cash flows from investing activities of the Company:</u>			
Purchase of property, plant and equipment	(18)	-	(17)
Proceeds from sale of property, plant and equipment	6	65	92
Net cash provided by (used in) investing activities of the Company	(12)	65	75
<u>Cash flows from financing activities of the Company:</u>			
Issuance of share capital (net of issuance expenses)	18,148	-	4,331
Exercise of share options	86	41	176
Exercise of options (series 5)	-	76	76
Proceeds on account of options (series 8 and 9) (net of issuance expenses)	-	-	1,018
Proceeds on account of options (series 10 and 11) (net of issuance expenses)	5,772	-	-
Net cash provided by financing activities of the Company	24,006	117	5,601
Exchange differences on balances of cash and cash equivalents	101	(107)	222
Increase (decrease) in cash and cash equivalents	15,684	(411)	88
Cash and cash equivalents at the beginning of the period	1,563	1,475	1,475
Cash and cash equivalents at the end of the period	17,247	1,064	1,563

The accompanying additional information is an integral part of the separate financial data and financial information.

**Additional Information**

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**1:- General**

- a. This separate financial information has been prepared in a condensed format as of March 31, 2013 and for the three months period then ended, in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the separate financial information on the Company's consolidated financial statements as of December 31, 2012 and for the year then ended and accompanying additional information.
- b. In the three months period ended March 31, 2013, Company incurred losses of NIS 7,443 thousand and it has negative cash flows from operating activities in the amount of NIS 8,411 thousand as well as accumulated losses from previous years. In addition, based on the decision of the board of directors, the Company has undertaken to finance the subsidiary's clinical development until the latter manages to raise capital. The Company has not yet generated any material revenues from the sale of its own developed products and has financed its activities by raising capital and by collaborating with multinational companies in the industry. On February 5, 2013, the Company raised a net total of NIS 23,920 thousand, see 2e). Furthermore, the Company is acting to continue to finance its operating activities by raising capital and collaborating with multinational companies in the industry. The Company has other alternative plans for financing its ongoing activities, such as adding to the Company's existing flexibility in the progress of carrying out clinical trials. The Company's management and board of directors are of the opinion that these financial resources will be used for operating activities at least until the end of 2014.

**2:- Additional Information**

- a. On January 27, 2013, the Petach-Tikva District Court granted the Company's request to extend the exercise period of all the options (series 6) by September 1, 2013 according to the general meeting's decision of January 10, 2013.
- b. On January 29, 2013, the subsidiary's board of directors approved the addendum to the 2012 option plan. On February 7, 2013, it was approved by the Israeli Tax Authority and on March 8, 2013 the plan came into effect.
- c. On February 3, 2013, the Company's board of directors approved the private placement of 1,682,000 options (series 10) of the Company which are exercisable into 1,682,000 Ordinary shares of NIS 0.01 par value each of the Company (before the capital consolidation, see 3b4) to the Company's external advisors. The placement was part of the issuance expenses accumulated in the Company in said capital raising round, as discussed in e below. The exercise price of the options is NIS 0.394 per option. The last exercise date of the options is October 31, 2015, inclusive. Assuming full exercise of all the options, they will represent about 0.47% of the issued and outstanding share capital and about 0.34% on a fully-diluted basis. The total value of the compensation is approximately NIS 125 thousand.
- d. On February 4, 2013, the Company signed a revised agreement with the NIH for updating the milestone dates. The revised agreement has no effect on the original license terms agreed with the NIH.



## Additional Information

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### 2:- Additional Information (Cont.)

- e. On February 5, 2013, the Company offered the public securities according to a shelf proposal report which was published on the basis of a shelf prospectus which the Company had published on July 26, 2012. The securities were offered to the public in 6,927 units ("the units") by a tender in minimum unit's price of NIS 3,144 thousand per unit. Each unit comprises 10,000 Ordinary shares at NIS 0.3144 per share, 5,000 options (series 10) and 5,000 options (series 11), both series at no consideration.

Each option (series 10) is exercisable into one Ordinary share of NIS 0.01 par value (before the capital consolidation, see 3b4) for NIS 0.394, linked to the Israeli CPI the base index being the index for December 2012. The options may be exercised by October 31, 2015.

In addition, each option (series 11) is exercisable into one Ordinary share of NIS 0.01 par value (before the capital consolidation, see 3b4) for NIS 0.392, linked to the Israeli CPI the base index being the index for December 2012. The options may be exercised by April 30, 2016.

Due to the oversubscription, 7,477 units were applied for at a price of NIS 3,544 per unit for total proceeds of NIS 23,920 thousand (net of issuance expenses of approximately NIS 2,572 thousand). The issuance proceeds were received on February 5, 2013. Until the use of the issuance proceeds, the cash from the issuance proceeds are held in the Company's accounts and will be invested by it in accordance with the Company's investment policy as it will be from time to time, provided that every aforesaid investment will be in solid investment tracks, including and without derogating from the generality of the aforesaid, a shekel interest bearing deposit or a foreign currency interest bearing deposit.

The shares were listed for trading on February 5, 2013.

- f. On February 5, 2013, 6,040,332 unlisted options were exercised into 6,040,332 shares of NIS 0.01 par value each (before the capital consolidation, see 3b4) of the Company by an interested party in the Company in consideration of approximately NIS 61 thousand.

On March 5, 2013, 143,187 unlisted options were exercised into 143,187 shares of NIS 0.01 par value each (before the capital consolidation, see 3b4) of the Company by an external advisor of the Company. The exercise proceeds are immaterial.

On March 24, 2013, 2,472,107 unlisted options were exercised into 2,472,107 shares of NIS 0.01 par value each (before the capital consolidation, see 3b4) of the Company by a director in the Company in consideration of approximately NIS 24 thousand.

- g. On February 28, 2013, OphthaliX's board of directors approved the appointment of the new CEO who had been appointed with such board of directors' approval in the meeting of December 12, 2012, in accordance with its decision to terminate the former CEO's service. Because the new CEO also acts as the Company's CBDO, his salary related expenses will be equally allocated between the Company and the subsidiary. The new CEO's appointment is effective from March 1, 2013.

**Additional Information**

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**2:- Additional Information (Cont.)**

- h. On March 21, 2013, the Company's board of directors approved a private placement of 740,000 unlisted options which are exercisable into 740,000 shares of NIS 0.01 par value each (before the capital consolidation, see 3b4) of the Company to two employees of the Company, three senior officers and three advisors. The exercise price of the options is NIS 0.326 per option. The options can be exercised for a period of 48 months from the date of grant over eight quarters. The term of the options is ten years from the date of grant. Assuming full exercise of all the options, they will represent about 0.21% of the issued and outstanding share capital and about 0.15% on a fully-diluted basis. The total value of the compensation is NIS 141 thousand.

The general manager of the stock exchange approved to list the options for trading on May 6, 2013.

**3:- Events After the Reporting Period**

- a. On April 17, 2013, the Company filed with the US Securities and Exchange Commission (SEC) a non-public registration statement 20F to register the Company's shares for trading in a main US stock exchange (NASDAQ or NYSE) via ADRs (American Depositary Receipts), subject to receiving the needed approvals from the SEC.
- b. On May 2, 2013, the general meeting of the Company's shareholders was convened and accepted the following decisions:
1. To reappoint Kost Forer Gabbay & Kasierer as the Company's auditors for 2013 and to authorize the Company's board of directors to determine their fee;
  2. To reappoint Pnina Fishman, Ilan Cohn, Avraham Sartani, Liora Lev and Guy Regev as directors in the Company until the next annual general meeting of the Company;
  3. Private placement of 250,000 options (unlisted) which are exercisable into 250,000 Ordinary shares of NIS 0.01 par value each (before the capital consolidation, see 4) of the Company to the Company's director. The exercise price of the options is NIS 0.6 per options. According to the binomial model, the economic value of the options on the date when the Company's board of directors accepted the decision was NIS 0.148 per option and a total of NIS 36 thousand for all options, this based on the following inputs: closing price of the Company's shares of NIS 0.326, ranges of risk-free interest of 1.64%-6.86%, life of options of 10 years, annual volatility range of 57.58%-72.10%, annual employee turnover of 5%, early exercise factor of 2.5 and distribution of annual dividend of 0%.

The director is entitled to exercise half of the number of options granted to him immediately upon their grant and the other half is exercisable every quarter over a period of two years.

The 250,000 shares deriving from option exercise will represent about 0.28% on a fully-diluted basis.

## Additional Information

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### 3:- Events After the Reporting Period (Cont.)

The general manager of the stock exchange approved to list the shares deriving from the options for trading on May 6, 2013.

4. The Company's authorized capital was increased by NIS 500,000,000 par value of Ordinary shares of NIS 0.01 par value each such that the Company's authorized capital will be 10,000,000 divided into 1,000,000,000 Ordinary shares of NIS 0.01 par value each. The Company's authorized share capital and the issued and outstanding share capital were consolidated at the ratio of 1:25. The Company's authorized share capital after the consolidation is NIS 10 million divided into 40 million Ordinary shares of NIS 0.25 par value each.

The effective date for the consolidation is May 10, 2013.

The date on which the consolidation actually takes effect is May 12, 2013.

According to the terms of the options (series 6 to 11) and according to the terms of the Company's unlisted options issued under private placements to directors, employees, advisors and officers pursuant to the option plan which the Company had adopted on June 30, 2003, the number of shares deriving from exercise of any option will be proportionately adjusted to account for the capital consolidation such that each option may be exercised into 0.04 of one consolidated Ordinary share of the Company of NIS 0.25 par value. The exercise price of each option will not undergo any change. However, the exercise price paid per one share will be multiplied by 25.

5. Amending the Company's articles of association due to the increase in the Company's capital and its consolidation.
- c. On May 12, 2013, there was a change in the number of dormant shares held by OphthaliX after the capital consolidation (see b4) from 17,158,132 Ordinary shares of NIS 0.01 par value each to 714,922 Ordinary shares of NIS 0.25 par value each.
  - d. On May 20, 2013, one of the advisors informed that he waives on 80,000 unlisted options he was awarded on March 21, 2013 (see 2h).
  - e. On May 30, 2013, the board of directors of OphthaliX approved grant of unlisted options of OphthaliX to directors, officers and advisors of OphthaliX with total value of approximately \$ 430 thousand. The grant of options to directors in OphthaliX is subject to the approval of the meeting of OphthaliX shareholders which is expected to take place in June 2013.
  - f. On May 30, 2013, the Company's board of directors chose Ilan Cohn to be the chairman of the board of directors.

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