IMPORTANT NOTE

This document is an unofficial translation of the Hebrew original, March 31, 2012 financial report of Can-Fite BioPharma Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on May 31, 2012.
The Hebrew version submitted to the TASE and the Israeli Securities Authority shall be the sole binding legal version.
This translation is for the convenience of English readers only.

CAN-FITE BIOPHARMA LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2012

UNAUDITED

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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, 2012 and the related condensed consolidated statements of 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 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 Securities Regulations (Periodic and Immediate Reports), 1970.

Haifa, Israel
May 31, 2012

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2012	2011	2011
	Unaudited		Audited
	NIS in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	10,230	11,237	14,622
Accounts receivable	3,357	2,506	3,760
	13,587	13,743	18,382
NON-CURRENT ASSETS:			
Property, plant and equipment, net	187	441	278
	13,774	14,184	18,660

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2012	2011	2011
	Unaudited		Audited
	NIS in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	2,489	1,165	1,930
Other accounts payable	2,973	3,341	2,686
Options exercisable into shares (series 5)	-	1,125	138
Options exercisable into shares (series 6)	64	-	396
	5,526	5,631	5,150
NON-CURRENT LIABILITIES:			
Options exercisable into shares (series 7)	882	-	793
Employee benefit liabilities, net	86	134	190
	968	134	983
	6,494	5,765	6,133
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	2,608	2,314	2,606
Share premium	229,414	209,936	229,299
Capital reserve from share-based payment transactions	14,744	14,469	14,670
Treasury shares	(4,760)	-	(4,760)
Adjustments arising from translating financial statements of foreign operations	26	-	75
Accumulated deficit	(235,310)	(218,300)	(231,584)
	6,722	8,419	10,306
Non-controlling interests	558	-	2,221
Total equity	7,280	8,419	12,527
	13,774	14,184	18,660

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

May 31, 2012			
Date of approval of the financial statements	Mr. Avigdor Kaplan Chairman of the Board	Prof. Pnina Fishman Member of the Board and Chief Executive Officer	Mr. Motti Farbstein Chief Operating and Financial Officer

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended March 31,		Year ended December 31,
	2012	2011	2011
	Unaudited		Audited
	NIS in thousands (except per share data)		
Revenues	-	446	1,785
Research an development expenses	4,015	4,104	12,969
General and administrative expenses	1,850	1,631	7,081
Other income	(61)	-	(88)
Operating loss	5,804	5,289	18,177
Expenses relating to the merger transaction	-	-	11,496
Finance expenses	284	62	232
Finance income	(452)	(402)	(1,669)
Loss before taxes on income	5,636	4,949	28,236
Taxes on income	-	47	191
Loss	5,636	4,996	28,427
Other comprehensive loss (income) - adjustments arising from translating financial statements of foreign operations	59	-	(92)
Total comprehensive loss	5,695	4,996	28,335
Loss attributable to:			
Equity holders of the Company	3,726	4,996	25,499
Non-controlling interests	1,910	-	2,928
	5,636	4,996	28,427
Total comprehensive loss attributable to:			
Equity holders of the Company	3,775	4,996	25,424
Non-controlling interests	1,920	-	2,911
	5,695	4,996	28,335
Loss per share attributable to equity holders of the Company (in NIS):			
Basic and diluted loss per share	0.02	0.02	0.12

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	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, 2012 (audited)	2,606	229,299	14,670	(4,760)	75	(231,584)	10,306	2,221	12,527
Loss	-	-	-	-	-	(3,726)	(3,726)	(1,910)	(5,636)
Other comprehensive income (loss)	-	-	-	-	(49)	-	(49)	(10)	(59)
Total comprehensive loss	-	-	-	-	(49)	(3,726)	(3,775)	(1,920)	(5,695)
Exercise of share options	1	40	-	-	-	-	41	-	41
Exercise of share options (series 5)	1	75	-	-	-	-	76	-	76
Cost of share-based payment	-	-	74	-	-	-	74	257	331
Balance as of March 31, 2012	2,608	229,414	14,744	(4,760)	26	(235,310)	6,722	558	7,280
Balance as of January 1, 2011 (audited)	2,321	209,704	14,351	-	-	(213,304)	13,072	-	13,072
Total comprehensive loss	-	-	-	-	-	(4,996)	(4,996)	-	(4,996)
Exercise of share options	5	220	-	-	-	-	225	-	225
Cost of share-based payment	-	-	118	-	-	-	118	-	118
Balance as of March 31, 2011	2,326	209,924	14,469	-	-	(218,300)	8,419	-	8,419

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	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, 2011	2,321	209,704	14,351	-	-	(213,304)	13,072	-	13,072
Loss	-	-	-	-	-	(25,499)	(25,499)	(2,928)	(28,427)
Other comprehensive income	-	-	-	-	75	-	75	17	92
Total comprehensive loss	-	-	-	-	75	(25,499)	(25,424)	(2,911)	(28,335)
Allocation of share capital to subsidiary	179	5,626	-	(4,760)	-	(1,045)	-	-	-
Cost of share-based payment	-	-	319	-	-	-	319	-	319
Issue of share capital (net of issue expenses)	99	4,611	-	-	-	-	4,710	-	4,710
Exercise of share options	7	289	-	-	-	-	296	-	296
Expenses relating to the merger transaction	-	9,069	-	-	-	-	9,069	1,991	11,060
Change in equity as a result of the merger transaction	-	-	-	-	-	8,264	8,264	3,141	11,405
Balance as of December 31, 2011	2,606	229,299	14,670	(4,760)	75	(231,584)	10,306	2,221	12,527

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,		Year ended December 31,
	2012	2011	2011
	Unaudited		Audited
	NIS in thousands		
Cash flows from operating activities:			
Loss	(5,636)	(4,996)	(28,427)
Adjustments to reconcile loss to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Depreciation of property, plant and equipment	87	67	218
Cost of share-based payment	331	118	319
Finance income	(15)	(47)	(89)
Gain from sale of property, plant and equipment	(61)	-	(88)
Increase (decrease) in employee benefit liabilities, net	(104)	3	59
Taxes on income	-	2	11
Decrease in fair value of options exercisable into shares (series 5)	(138)	(275)	(1,262)
Increase (decrease) in fair value of options exercisable into shares (series 6)	(332)	-	94
Increase (decrease) in fair value of options exercisable into shares (series 7)	89	-	(172)
Exchange differences on balances of cash and cash equivalents	58	(27)	(181)
Expenses relating to the merger transaction	-	-	11,060
	(85)	(159)	9,969
Changes in asset and liability items:			
Decrease (increase) in accounts receivable	403	(1,956)	(3,210)
Increase in trade payable	559	649	1,414
Increase (decrease) in other accounts payable	287	(86)	(741)
	1,249	(1,393)	(2,537)
Cash paid and received during the period for:			
Interest received	15	47	89
Taxes paid	-	(2)	(11)
	15	45	78
Net cash used in operating activities	(4,457)	(6,503)	(20,917)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,		Year ended December 31,
	2012	2011	2011
	Unaudited		Audited
	NIS in thousands		
Cash flows from investing activities:			
Purchase of property, plant and equipment	-	(18)	(81)
Proceeds from sale of property, plant and equipment	65	-	163
Net cash provided by (used in) investing activities	65	(18)	82
Cash flows from financing activities:			
Issue of share capital (net of issue expenses)	-	-	4,710
Proceeds on account of share options (net of issue expenses)	-	-	1,266
Exercise of share options	41	225	296
Exercise of share options (series 5)	76	-	-
Sale of shares to non-controlling shareholders	-	-	11,405
Net cash provided by financing activities	117	225	17,677
Exchange differences on balances of cash and cash equivalents	(117)	27	274
Decrease in cash and cash equivalents	(4,392)	(6,269)	(2,884)
Cash and cash equivalents at the beginning of the period	14,622	17,506	17,506
Cash and cash equivalents at the end of the period	10,230	11,237	14,622

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

a. These financial statements have been prepared in a condensed format as of March 31, 2012 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, 2011 and for the year then ended and accompanying notes ("annual consolidated financial statements").

b. Can-Fite Biopharma Ltd. ("the Company") incurred losses of approximately NIS 3,726 thousand and negative cash flows from operating activities of approximately NIS 486 thousand for the three months period ended March 31, 2012 and, as of that date, the Company's working capital deficiency was NIS 1,249 thousand. Further, the Company has not yet earned significant revenues from the sale of its developed products and it is dependent on capital raisings and other sources to finance its operation. After the reporting period, the Company raised, through a public issuance, approximately NIS 5,350 thousand (see Note 4e below) and received approximately NIS 1,600 thousand from the subsidiary as participation in expenses and also obtained the Chief Scientist's approval for participation in funding the development at the Company in 2012 with approximately NIS 1,700 thousand (see Note 4j below). Considering these conditions, among other conditions, the Company's management and Board are of the opinion that no difficulties are expected for the Company in financing its operating activities in the coming year.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements.

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. In January 2012, the subsidiary granted a member of the Board 235,000 options to purchase 235,000 shares of the subsidiary at the exercise price of $ 2 per share.

During the quarter, the subsidiary recorded expenses of NIS 257 thousand involved in that grant.

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

b. On January 21, 2012, 46,875 unlisted share options expired.

c. On February 16, 2012, 130,813 unlisted share options were exercised into 130,813 Ordinary shares of the Company of NIS 0.01 par value each. The proceeds from the exercise of the share options totaled approximately NIS 40 thousand.

d. On February 18, 2012, 26,250 unlisted share options expired.

e. On March 25, 2012, 32,701 unlisted share options were exercised into 32,701 Ordinary shares of the Company of NIS 0.01 par value each. The proceeds from the exercise of the share options aggregated to an insignificant amount.

f. On March 26, 2012, 23,333 share options (series 5) were exercised into 23,333 Ordinary shares of the Company of NIS 0.01 par value each in consideration of an exercise increment of approximately NIS 76 thousand. The remaining 13,226,667 share options (series 5) which had not been exercised expired on March 31, 2012.

NOTE 4:- EVENTS AFTER THE REPORTING PERIOD

a. On April 2, 2012, the Company's Board approved a private placement to employees and senior employees in the Company ("the optionees") of 600,000 unlisted options of the Company that are exercisable into 600,000 Ordinary shares of the Company of NIS 0.01 par value each. The exercise price of the options is NIS 0.385 per option (the closing price for the Company's shares on the trading day which preceded the receipt of the approval from the Company's Board).

According to the binomial model, the economic value of the options for each of the employees on the date when the Company's Board accepted the decision was NIS 0.198 per option and a total of NIS 35,557 for all options, this based on the following inputs: closing price of the Company's share, as above, ranges of risk-free interest of 2.61%-6.65%, life of options of 10 years, annual standard deviation range of 51.62%-74.12%, annual employee turnover of 5%, early exercise coefficient of 2 and distribution of annual dividend of 0%.

According to the binomial model, the economic value of the options for each of the senior employees on the date when the Company's Board accepted the decision was NIS 0.215 per option and a total of NIS 77,259 for all options, this based on the following inputs: closing price of the Company's share, as above, ranges of risk-free interest of 2.61%-6.65%, life of options of 10 years, annual standard deviation range of 51.62%-74.12%, annual employee turnover of 5%, early exercise coefficient of 2.5 and distribution of annual dividend of 0%.

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

The optionees are entitled to exercise the options over 48 months from the allocation date such that 1/16 of the number of options granted to each optionee, as above, is exercisable every quarter. The term of the options is 10 years from the allocation date.

Assuming that the optionees exercise all options, the underlying shares will constitute 0.23% of the issued and outstanding share capital and 0.18% on a fully diluted basis. The shares were admitted to trading on May 2, 2012.

b. On April 10, 2012, 50,000 unlisted share options were exercised into 50,000 Ordinary shares of the Company of NIS 0.01 par value each. The proceeds from the exercise of the share options totaled approximately NIS 15 thousand.

c. On April 16, 2012, 211,875 unlisted share options were exercised into 211,875 Ordinary shares of the Company of NIS 0.01 par value each. The proceeds from the exercise of the share options totaled approximately NIS 65 thousand.

d. On April 21, 2012, 193,305 unlisted share options expired.

e. On May 1, 2012, 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 published on May 27, 2010. The securities were offered to the public in 4,000 units ("the units") by a tender on the unit's price where the minimum price was NIS 1,431 per unit. Each unit comprises 3,000 Ordinary shares at NIS 0.477 per share, 2,000 share options (series 8) and 3,000 share options (series 9). Both series of options are at no consideration.

There was overwriting in the issuance and 4,056 units at NIS 1,440 per unit were ordered. Total net issuance proceeds amounted to approximately NIS 5,350 thousand (net of issue expenses of approximately NIS 491 thousand). The issuance consideration was received on May 2, 2012. Until the issuance consideration is used, the issuance proceeds will be held in the Company's accounts and invested by it in consistent with the Company's investment policy as it will be from time to time provided that any investment, as above, shall be in solid channels including and without derogating from the generality of the above an interest bearing NIS deposit or interest bearing deposit in foreign currency.

The shares were admitted to trading on May 1, 2012.

f. On May 8, 2012, the general meeting approved to extend the exercise term of 2,032,136 unlisted options of the Company which had been granted in 2007 to a director in the Company with exercise term of 5 years at exercise price of NIS 1.27 by an additional term of 5 years such that the exercise term shall be 10 years from the original date of grant (through May 9, 2017), similar to the exercise term under the Company's option plan.

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

g. On May 13, 2012, 55,000 unlisted share options were exercised into 55,000 Ordinary shares of the Company of NIS 0.01 par value each. The proceeds from the exercise of the share options totaled approximately NIS 17 thousand.

h. On May 18, 2012, 50,139 unlisted share options expired.

i. On May 21, 2012, the Company received the Scientist's approval to finance the development of the CF102 drug with a budget of NIS 4,890 thousand and with Scientist's participation in the total of approximately NIS 1,700 thousand based on performance over a one-year period from January 1, 2012.

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CAN-FITE BIOPHARMA LTD.

FINANCIAL DATA FROM THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ATTRIBUTABLE TO THE COMPANY

AS OF MARCH 31, 2012

UNAUDITED

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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, 2012 ("the consolidated financial statements") which were published in the periodic reports and which were disclosed in accordance with regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

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To the shareholders of
Can-Fite Biopharma Ltd.

Re: Special auditor's Report to the Review of the 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, 2012 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 31, 2012

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

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

	March 31,		December 31,
	2012	2011	2011
	Unaudited		Audited
	NIS in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	1,064	11,237	1,475
Subsidiary	1,254	-	2,710
Accounts receivable	1,330	2,506	1,574
	3,648	13,743	5,759
NON-CURRENT ASSETS:			
Investment in subsidiary	-	-	4,306
Royalty rights	13,198	-	5,488
Property, plant and equipment, net	187	441	278
	13,385	441	10,072
	17,033	14,184	15,831

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

	March 31,		December 31,
	2012	2011	2011
	Unaudited		Audited
	NIS in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	2,467	1,165	1,910
Other accounts payable	2,366	3,341	2,098
Options exercisable into shares (series 5)	-	1,125	138
Options exercisable into shares (series 6)	64	-	396
	4,897	5,631	4,542
NON-CURRENT LIABILITIES:			
Deficit in investment in subsidiary	4,446	-	-
Options exercisable into shares (series 7)	882	-	793
Employee benefit liabilities, net	86	134	190
	5,414	134	983
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	2,608	2,314	2,606
Share premium	229,414	209,936	229,299
Capital reserve from share-based payment transactions	14,744	14,469	14,670
Treasury shares	(4,760)	-	(4,760)
Accumulated deficit	(235,284)	(218,300)	(231,509)
Total equity	6,722	8,419	10,306
	17,033	14,184	15,831

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

May 31, 2012			
Date of approval of the financial statements	Mr. Avigdor Kaplan Chairman of the Board	Prof. Pnina Fishman Member of the Board and Chief Executive Officer	Mr. Motti Farbstein Chief Operating and Financial Officer

Financial Data from the Consolidated Statements of Comprehensive Income Attributable to the Company

	Three months ended March 31,		Year ended December 31,
	2012	2011	2011
	Unaudited		Audited
	NIS in thousands		
Revenues	-	446	1,785
Research an development expenses	2,100	4,104	12,183
General and administrative expenses	1,087	1,631	6,593
Other income	(61)	-	(88)
Operating loss	3,126	5,289	16,903
Expenses relating to the merger transaction	-	-	9,505
Finance expenses	164	62	42
Finance income	(8,267)	(402)	(5,408)
Company's share of losses of investee, net	8,703	-	4,266
Loss before taxes on income	3,726	4,949	25,308
Taxes on income	-	47	191
Loss attributable to the Company	3,726	4,996	25,499
Other comprehensive loss attributable to the Company			
Adjustments arising from translating financial statements of foreign operations	49	-	75
Other comprehensive loss attributable to the Company	49	-	75
Total comprehensive loss attributable to the Company	3,775	4,996	25,424

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,
	2012	2011	2011
	Unaudited		Audited
	NIS in thousands		
Cash flows from operating activities of the Company:			
Loss attributable to the Company	(3,726)	(4,996)	(25,499)
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	87	67	218
Cost of share-based payment	74	118	319
Revaluation of investment in subsidiary	(7,710)	-	(3,851)
Gain from sale of property, plant and equipment	(61)	-	(88)
Finance income	(4)	(47)	(86)
Increase (decrease) in employee benefit liabilities, net	(104)	3	59
Company's share of losses of investee, net	8,703	-	4,266
Taxes on income	-	2	11
Decrease in fair value of options exercisable into shares (series 5)	(138)	(275)	(1,262)
Increase (decrease) in fair value of options exercisable into shares (series 6)	(332)	-	94
Increase (decrease) in fair value of options exercisable into shares (series 7)	89	-	(172)
Exchange differences on balances of cash and cash equivalents	107	(27)	(181)
Expenses relating to the merger transaction through profit or loss	-	-	9,069
	711	(159)	8,396
Changes in asset and liability items of the Company:			
Decrease (increase) in accounts receivable	244	(1,956)	(1,023)
Decrease (increase) in subsidiary	1,456	-	(2,710)
Increase in trade payable	557	649	1,394
Increase (decrease) in other accounts payable	268	(86)	(1,329)
	2,525	(1,393)	(3,668)
Cash paid and received during the period in the Company for:			
Interest received	4	47	86
Taxes paid	-	(2)	(11)
	4	45	75
Net cash used in operating activities of the Company	(486)	(6,503)	(20,696)

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,
	2012	2011	2011
	Unaudited		Audited
	NIS in thousands		
Cash flows from investing activities of the Company:			
Investment in subsidiary	-	-	(1,870)
Purchase of property, plant and equipment	-	(18)	(81)
Proceeds from sale of property, plant and equipment	65	-	163
Net cash provided by (used in) investing activities of the Company	65	(18)	(1,788)
Cash flows from financing activities of the Company:			
Issue of share capital (net of issue expenses)	-	-	4,710
Proceeds on account of share options (net of issue expenses)	-	-	1,266
Exercise of share options	41	225	296
Exercise of share options (series 5)	76	-	-
Net cash provided by financing activities of the Company	117	225	6,272
Exchange differences on balances of cash and cash equivalents	(107)	27	181
Decrease in cash and cash equivalents	(411)	(6,269)	(16,031)
Cash and cash equivalents at the beginning of the period	1,475	17,506	17,506
Cash and cash equivalents at the end of the period	1,064	11,237	1,475

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

Additional Information

1:- General

a. This separate financial information has been prepared in a condensed format as of March 31, 2012 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 of the Company as of December 31, 2011 and for the year then ended and accompanying additional information.

b. Can-Fite Biopharma Ltd. ("the Company") incurred losses of approximately NIS 3,726 thousand and negative cash flows from operating activities of approximately NIS 486 thousand for the three months period ended March 31, 2012 and, as of that date, the Company's working capital deficiency was NIS 1,249 thousand. Further, the Company has not yet earned significant revenues from the sale of its developed products and it is dependent on capital raisings and other sources to finance its operation. After the reporting period, the Company raised, through a public issuance, approximately NIS 5,350 thousand (see 3e below) and received approximately NIS 1,600 thousand from the subsidiary as participation in expenses and also obtained the Chief Scientist's approval for participation in funding the development at the Company in 2012 with approximately NIS 1,700 thousand (see 3j below). Considering these conditions, among other conditions, the Company's management and Board are of the opinion that no difficulties are expected for the Company in financing its operating activities in the coming year.

2:- Additional Information

a. On January 21, 2012, 46,875 unlisted share options expired.

b. On February 16, 2012, 130,813 unlisted share options were exercised into 130,813 Ordinary shares of the Company of NIS 0.01 par value each. The proceeds from the exercise of the share options totaled approximately NIS 40 thousand.

c. On February 18, 2012, 26,250 unlisted share options expired.

d. On March 25, 2012, 32,701 unlisted share options were exercised into 32,701 Ordinary shares of the Company of NIS 0.01 par value each. The proceeds from the exercise of the share options aggregated to an insignificant amount.

e. On March 26, 2012, 23,333 share options (series 5) were exercised into 23,333 Ordinary shares of the Company of NIS 0.01 par value each in consideration of an exercise increment of approximately NIS 76 thousand. The remaining 13,226,667 share options (series 5) which had not been exercised expired on March 31, 2012.

3:- Events After the Reporting Period

a. On April 2, 2012, the Company's Board approved a private placement to employees and senior employees in the Company ("the optionees") of 600,000 unlisted options of the Company that are exercisable into 600,000 Ordinary shares of the Company of NIS 0.01 par value each. The exercise price of the options is NIS 0.385 per option (the closing price for the Company's shares on the trading day which preceded the receipt of the approval from the Company's Board).

According to the binomial model, the economic value of the options for each of the employees on the date when the Company's Board accepted the decision was NIS 0.198 per option and a total of NIS 35,557 for all options, this based on the following inputs: closing price of the Company's share, as above, ranges of risk-free interest of 2.61%-6.65%, life of options of 10 years, annual standard deviation range of 51.62%-74.12%, annual employee turnover of 5%, early exercise coefficient of 2 and distribution of annual dividend of 0%.

According to the binomial model, the economic value of the options for each of the senior employees on the date when the Company's Board accepted the decision was NIS 0.215 per option and a total of NIS 77,259 for all options, this based on the following inputs: closing price of the Company's share, as above, ranges of risk-free interest of 2.61%-6.65%, life of options of 10 years, annual standard deviation range of 51.62%-74.12%, annual employee turnover of 5%, early exercise coefficient of 2.5 and distribution of annual dividend of 0%.

The optionees are entitled to exercise the options over 48 months from the allocation date such that 1/16 of the number of options granted to each optionee, as above, is exercisable every quarter. The term of the options is 10 years from the allocation date.

Assuming that the optionees exercise all options, the underlying shares will constitute 0.23% of the issued and outstanding share capital and 0.18% on a fully diluted basis. The shares were admitted to trading on May 2, 2012.

b. On April 10, 2012, 50,000 unlisted share options were exercised into 50,000 Ordinary shares of the Company of NIS 0.01 par value each. The proceeds from the exercise of the share options totaled approximately NIS 15 thousand.

c. On April 16, 2012, 211,875 unlisted share options were exercised into 211,875 Ordinary shares of the Company of NIS 0.01 par value each. The proceeds from the exercise of the share options totaled approximately NIS 65 thousand.

d. On April 21, 2012, 193,305 unlisted share options expired.

e. On May 1, 2012, 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 published on May 27, 2010. The securities were offered to the public in 4,000 units ("the units") by a tender on the unit's price where the minimum price was NIS 1,431 per unit. Each unit comprises 3,000 Ordinary shares at NIS 0.477 per share, 2,000 share options (series 8) and 3,000 share options (series 9). Both series of options are at no consideration.

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

There was overwriting in the issuance and 4,056 units at NIS 1,440 per unit were ordered. Total net issuance proceeds amounted to approximately NIS 5,350 thousand (net of issue expenses of approximately NIS 491 thousand). The issuance consideration was received on May 2, 2012. Until the issuance consideration is used, the issuance proceeds will be held in the Company's accounts and invested by it in consistent with the Company's investment policy as it will be from time to time provided that any investment, as above, shall be in solid channels including and without derogating from the generality of the above an interest bearing NIS deposit or interest bearing deposit in foreign currency.

The shares were admitted to trading on May 1, 2012.

f. On May 8, 2012, the general meeting approved to extend the exercise term of 2,032,136 unlisted options of the Company which had been granted in 2007 to a director in the Company with exercise term of 5 years at exercise price of NIS 1.27 by an additional term of 5 years such that the exercise term shall be 10 years from the original date of grant (through May 9, 2017), similar to the exercise term under the Company's option plan.

g. On May 13, 2012, 55,000 unlisted share options were exercised into 55,000 Ordinary shares of the Company of NIS 0.01 par value each. The proceeds from the exercise of the share options totaled approximately NIS 17 thousand.

h. On May 18, 2012, 50,139 unlisted share options expired.

i. On May 21, 2012, the Company received the Scientist's approval to finance the development of the CF102 drug with a budget of NIS 4,890 thousand and with Scientist's participation in the total of approximately NIS 1,700 thousand based on performance over a one-year period from January 1, 2012.

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Board of Directors Explanations of the Company's Business Status as of March 31, 2012

1. General information from the Company's Business Description

The Company was established in September 11, 1994 as a private company in Israel according to the Companies Ordinance [new edition], 1983, under the name Can-Fite Technologies Ltd, with the purpose of engaging in any business, investment, or other transactions. On January 7, 2001 the Company changed its name to the current name.

The Company was founded based on the research of Pnina Fishman, Ph.D., a renowned scientist who is the Company's founder and currently serves as a director and the Company's CEO. In her study, Dr. Fishman demonstrated that one of the reasons accounting for muscle resistance to tumor metastasis is the release of small molecules by the muscle tissue that possess robust anti-cancer activity. It was further found that the small molecules are agonists at the A3 adenosine receptor. Synthetic agonists are currently the company drugs under development for the treatment of autoimmune inflammatory, cancer and ophthalmic diseases.

On November 22, 2011, the Company announced the completion of a spinoff of the Company's activity in the field of ophthalmic diseases to a public company in USA against a private placement of shares to the Company in a manner that provides to the Company a controlling stake of the spinoff company. The spinoff was executed by granting an exclusive license for the CF101 drug in the ophthalmic diseases field only to a private Israeli company, which is the Company's wholly owned subsidiary, and its shares were transferred by the Company to OphthaliX Inc. (previously Denali Concrete Management Inc.), an American public company whose shares are quoted on OTCBB (Over the Counter Bulletin Board) in USA, ticker symbol (OTC BB: OPLI) (hereafter: "**OphthaliX**")[1] , so that the subsidiary will become a subsidiary under full ownership of OphthaliX in return for a placement of OphthaliX shares to the Company in a manner that will grant to the Company control of OphthaliX's share capital (82%), while OphthaliX continues development, clinical trials and registration processes of the CF101 drug for ophthalmic diseases (hereafter: the "**Spinoff Transaction**"). For a detailed description of the Spinoff Transaction for ophthalmic diseases field, see the Company's periodic report for 2011, published on March 29, 2012 (reference: 2012-01-087516).

[1] On January 31, 2012 Denali Concrete Management Inc. completed its name change to OphthaliX Inc. and as of February 1, 2012 its OTC ticker symbol is OPLI.

The Company is a research and development company with several ethical drugs in development. The Company's leading drug, CF101, is at an advanced stage of clinical development. The drug is being tested for several diseases, as follows:

1. **Dry Eye Syndrome:** On May 2009, the Company announced that the trial conducted on CF101, given as a standalone, met its objectives. The trials' results indicate a substantial improvement in patients' condition (over 80% of the patients that were treated with CF101) with a significant improvement in corneal staining, which was the study primary endpoint. Maximal safety was observed during the entire trial period, where it became evident that the drug has an additional activity that is manifested in decreasing intraocular pressure in the patients' eyes. On September 2010, the Company announced that following successful conclusion of this study, the FDA approved a Phase 3 clinical study protocol for the treatment of dry eye syndrome with CF101. The study will include 231 patients that will be treated with 2 dosages of CF101 vs. placebo for a period of 6 months. Patient enrolment was initiated on December 2011. The primary endpoint will be % of patients reaching complete corneal staining vs. placebo. The trial is currently conducted in several medical centers in Israel, Europe and USA. As mentioned above, the spinoff transaction, completed on November 2011, included transferring the performance of the trial and the intellectual property rights pertaining to CF101 development for ophthalmic diseases (including dry eye syndrome) to Ophthalix.

2. **Psoriasis:** On September 2009, the Company announced that the trial conducted with CF101 as a standalone drug vs. placebo was successfully completed. Analysis of mean change from baseline in PASI score at week 12 revealed a statistically significant difference between the 2 mg CF101- treated group and the placebo group ($P < 0.001$ vs. baseline and $P = 0.03$ vs. placebo). Analysis of PGA score revealed that 23.5% of the patients treated with the 2 mg CF101 dose achieved a score of 0 or 1, in comparison with 0% in the placebo group. 35.3% of patients in this group achieved PASI≥50 response. CF101 was safe and well tolerated throughout the study. For additional details regarding the trial and its results, see the Company's report from September 7, 2009 (reference: 2009-01-224592). On June 2010, the Company announced that it obtained an FDA approval for conducting a Phase II/III clinical trial with CF101for the treatment of psoriasis . Patients' enrollment for the trial that will include about 300 patients and will be conducted in several medical centers in Israel, Europe and USA was initiated on August 2011... On April 23, 2012 the Company announced the conclusion of enrolling the first 100 patients for a Phase II/III trial of CF101 for treatment of psoriasis. After a treatment of the first 100 patients during 3 months, an interim report will be carried out by an

external experts committee. The report will include a recommendation by the committee whether to proceed with the trial and complete enrolling all 300 patients for the trial.

3. **Glaucoma:** the Company initiated patients' enrollment for a Phase II trial of CF101 for the treatment of glaucoma after it was proven that the drug reduces intraocular pressure of patients in the Phase 2 dry eye syndrome trial. For details regarding the spinoff transaction which included transferring the performance of the trial and the intellectual property pertaining to CF101 development for ophthalmic diseases (including glaucoma) to Ophthalix – see paragraph 2.2 below.
4. **Rheumatoid Arthritis:** the drug was found efficacious as a standalone in a Phase IIa trial. The Company initiated patients' enrollment for a Phase IIb trial of CF101 as a standalone for the treatment of rheumatoid arthritis.

The second drug in the Company's development pipeline, CF102, is intended for the treatment of liver diseases such as liver cancer and hepatitis C. A successful Phase 1 trial for this drug was completed during the second quarter of 2008. The drug is being tested for the following diseases:

1. **Liver cancer** – the company initiated a Phase I/II clinical trial for treatment of patients with liver cancer during the second quarter of 2009. On March 21, 2010 the Company announced the conclusion of patients' enrollment for this trial, and on May 11, 2011 the company announced successful interim results for this trial. On January 3, 2012 the company announced successful final results of a Phase I/II trial of CF102 for the treatment of liver cancer. On January 18, 2012, the Company reported that additional significant finding was observed during the Phase I/II trial of CF102 for liver cancer. An analysis performed by the Company examined the relationship between the expression of the target (the A3 receptor) attacked by CF102 and patients' reaction to the drug. A positive patients' reaction after treatment with CF102 was observed in 85% of target over-expression cases. 2. **Hepatitis C:** The Company initiated a Phase I/II clinical trial for the treatment of hepatitis C during the third quarter of 2010. On March 21, 2010, the Company announced the completion of patients' enrollment for this trial. On January 3, 2012 the Company announced that CF 102 demonstrated safety and linear pharmacokinetic drug profile, however, no significant decrease in the viral load has been observed at the tested dosages. It should also be noted that in a parallel Phase I/II trial on liver cancer patients, 9 of participating patients were also hepatitis C virus carriers. A reduction of the viral load was observed in 7 of these patients, which were treated with two high dose levels of CF102, a fact that indicates an anti-viral activity of the drug.

2. Exceptional Events during the Balance Sheet Period

On January 3, 2012 the Company announced final successful results of the Phase I/II clinical trial of CF102 on liver cancer patients and the results of a separate Phase I/II trial conducted for CF102 treatment of hepatitis C virus carriers. The trial achieved its main objectives – drug safety and its concentration level in blood. For additional details, see the Company's report (reference: 2012-01-003924). On January 18, 2012 the Company reported that additional significant finding was observed during the Phase I/II trial of CF102 for liver cancer where an analysis performed by the Company examined the relationship between the expression of the target (the A3 receptor) attacked by CF102 and patients' reaction to the drug. A positive patients' reaction after treatment with CF102 was observed in 85% of target over-expression cases. This important finding indicates that the target attacked by CF102 can be considered as a biomarker that will predict the patient's reaction to treatment with the drug. In addition, the Company announced that a separate Phase I/II trial conducted with CF102 on hepatitis C carriers under the management of Prof. Ran Tur-Kaspa, the head of the Internal Medicine D Department and Liver Institute of Rabin Medical Center, Petah-Tikva, achieved its main objectives – drug safety and its concentration level in blood, but no significant reduction of the viral load was found for the tested dose level. It should be noted that this group of patients was treated only for a short period of several months with a low dose level of CF102.

On February 1, 2012 the Company announced that following its announcement from December 21, 2011, its subsidiary Denali Concrete Management Inc. of which the Company holds 82.3% announced on January 31, 2012 the completion of the process of changing its name to OphthaliX Inc., and that as of February 1, 2012 its OTC trade flicker symbol is OPLI.

On February 7, 2012 the Company announced that its subsidiary (about 82%) OphthaliX Inc. (OTCBB: OPLI) which leads drug development in the field of ophthalmic diseases in Can-Fite group has appointed the Nobel prize winner, Prof. Roger D. Kornberg as a director at OphthaliX Inc. For additional details regarding Prof. Kornberg, see the Company's report (reference: 2012-01-035292).

On February 22, 2012 the Company announced that its subsidiary OphthaliX Inc. (OTCBB: OPLI) of which the Company holds 82.3% announced on February 21, 2012 that the National Copyright Administration of China has granted a patent certificate due to a patent request submittal in China titled "Adenosine A3 receptor agonists for the treatment of dry eye disorders". This patent protects

the CF101 drug held by OphthaliX for treatment of dry eye syndrome in China until February 2026. For additional details, see the Company's report (reference: 2012-01-048534).

On February 22, 2012, the Company announced that the American Food and Drug Administration (FDA) granted an orphan drug status for CF102 for treatment of hepatocellular carcinoma. As mentioned above, orphan drug status is granted for treatments of diseases that affect a small number of people (In the USA, a drug for treating a disease that affects less than 200,000 people a year is considered as an orphan drug). In order to encourage development of drugs for rare and incurable diseases, subject to completion of clinical trials and obtaining an FDA approval for the indication, the developing companies are provided with incentives and preferences which include, among others, a seven years marketing exclusivity from the date of approval, tax breaks, and an exemption on FDA fees payments.

During the quarterly report period, 163,513 unlisted options were exercised into 163,513 ordinary Company shares at a nominal value of 0.01 NIS each. The amount raised from the exercise of the options was about NIS 41,000.

During the quarterly report period, 23,333 options (series 5) were exercised into 23,333 Company shares of a nominal value of NIS 0.01 each in return for an exercise amount of NIS 75,000. The remainder of 13,226,667 options (series 5) have expired.

3. Financial Situation, Liquidity and Funding Sources

The balance of cash and cash equivalents on the balance sheet of the Company as of March 31, 2012 totaled a sum of NIS 10,230 thousand compared to NIS 14,622 thousand as of December 31, 2011. The decrease in cash during the period is due to payments by the Company for funding of its ongoing activity which exceeded the amounts of capital raised by the Company in such period.

The accounts receivable balance in the balance sheet of the Company as of March 31, 2012 totaled a sum of NIS 3,357 thousand compared to NIS 3,760 thousand as of December 31, 2011. The decrease in the accounts receivables balance is due to materials purchased in advance during the previous year that were partially used.

The net fixed assets balance in the balance sheet of the Company as of March 31, 2012 totaled a sum of NIS 187 thousand compared to NIS 278 thousand as of December 31, 2011. The decrease in the fixed assets balance is due to current depreciation expenses and sale of fixed assets that exceed new purchases.

The consolidated balance sheet of the Company as of March 31, 2012 totaled a sum of NIS 13,774 thousand compared to NIS 18,660 thousand as of December 31, 2011. This change results from a decrease in cash, receivables and net fixed assets.

The balance of liabilities to suppliers and service providers in the balance sheet of the Company as of March 31, 2012 totaled a sum of NIS 2,489 thousand compared to NIS 1,930 thousand as of December 31, 2011. The increase is due to an expansion of the clinical trial activities: Phase II/III trial for psoriasis, Phase III trial for dry eye syndrome and due to postponing payments.

The accounts payable balance on the balance sheet o the Company as of March 31, 2012 totaled a sum of NIS 2,973 thousand compared to NIS 2,686 thousand as of December 31, 2011. The increase is mainly due to a liability to service providers of the subsidiary which did not exist in the previous year.

The balance of warrants exercisable to shares (series 6) is NIS 64 thousand represented by its value on the stock exchange as of March 31, 2012. Warrants (series 5) expired on March 31, 2012. The expiration date of warrants (series 6) is within less than a year from reporting date. At the year ended at December 31, 2011, the balance of warrants from both abovementioned series was NIS 534 thousand.

The balance of long-term liabilities in the balance sheet of the Company as of March 31, 2012 totaled a sum of NIS 968 thousand compared to NIS 983 thousand in the previous year. The balance is mainly due to the recorded value of warrants series 7 for a sum of NIS 882 thousand compared to NIS 793 thousand at the end of the year. These warrants are linked to the Consumer Price Index and therefore are presented as a liability and measured by their value on the stock exchange as of reporting date. Therefore, the increase is due to a value increase of the warrants (series 7).

Total capital in the consolidated balance sheet as of March 31, 2012 was NIS 7,280 thousand compared to NIS 12,257 thousand on December 31, 2011. The capital decrease results mainly from the Company's current loss that exceeded the raising of capital during the year.

4. **Business Activity Results**

The loss for the period of 3 months ended on March 31, 2012 totaled a sum of NIS 5,636 thousand compared to NIS 4,996 thousand during the corresponding period in the previous year, and NIS 28,427 thousand for the year ended at December 31, 2011. The loss increase compared to the corresponding period in the previous year is mainly due to a decrease in revenues.

The net research and development expenses of the Company for the period of 3 months ended at March 31, 2012 totaled a sum of NIS 4,015 thousand compared to NIS 4,104 thousand during the corresponding period in the previous year, and NIS 12,969 thousand for the year ended at December 31, 2011. The decrease in the Company's research and development expenses compared to the corresponding period in the previous year is insignificant.

The general and administrative expenses for the period of 3 months ended at March 31, 2012 totaled a sum of NIS 1,850 thousand compared to NIS 1,631 thousand during the corresponding period in the previous year. At the year ended at December 31, 2011 these expenses totaled a sum of NIS 7,081 thousand. The increase of expenses in the present year compared to the previous years is a result of several sections, among other – an increase of professional services volume, increase of directors salary, salary updates and insurance expenses.

Financing fees for the period of 3 months ended at March 31, 2012 totaled a sum of NIS 284 thousand compared to NIS 62 thousand during the previous year, and NIS 232 thousand for the year ended at December 31, 2011. The increase is mainly to an increase of exchange rate differentials.

The financing revenues for the period of 3 months ended at March 31, 2012 totaled a sum of NIS 452 thousand compared to NIS 402 thousand during the previous year. At the year ended at December 31, 2011, these revenues totaled a sum of NIS 1,669 thousand. Financing revenues during the quarter and the corresponding quarter in the previous year resulted mainly from a decrease of value of the warrants exercisable to shares.

No tax expenses on revenue incurred for the period of the first 3 months of 2012 compared to tax expenses at a total of NIS 47 thousand for the corresponding period in the previous year and NIS 191 thousand for the year ended at December 31, 2011. Tax expenses in the previous periods mainly include a deduction at source of 10% from SKK revenues (and KDP in the corresponding quarter of the previous year). Without an expectation of utilizing this deduction in the foreseeable future and due to the Company's large tax losses, the deduction at source for tax expenses was reduced. Since there were no revenues during the first quarter of 2012, and therefore no tax was deducted, no tax expenses was incurred in the Company.

The net cash from investment activity in the first quarter of 2012 totaled a sum of NIS 65 thousand compared to cash utilized for investment activity of a total of NIS 18 thousand during the corresponding period in the previous year and to a total of NIS 82 thousand of cash from investment activity for 2011. The change is mainly due to the fact that during the quarter and the fourth quarter of the previous year the Company actualized fixed assets, compared to purchases during the corresponding period of the previous year.

Net cash derived to the Company from financing activity totaled a sum of NIS 117 thousand during the period of 3 months ended at March 31, 2012 compared to NIS 225 thousand during the corresponding period of the previous year. At the year ended at December 31, 2011 this activity totaled NIS 17,677 thousand. The volume of unlisted options exercised during the reporting period was lower than actualization volume during the corresponding period of the previous year.

5. Financial Statements Approval Process

The board of directors is responsible for the overall control of the auditing process of the Company. The Company’s board of directors appointed the committee for auditing the financial statements whose responsibilities and composition are as follows (hereafter: the "**Committee**”):

The Committee and its members:

a. The Committee is an audit committee.

b. The Committee consists of three directors as follows:

1. **Gil Oren** – chairman of the Committee (an external director with accounting and financial expertise – see paragraph 6 below).
2. **Yechezkel Bernholtz -** (external director) - Education: PhD in biochemistry, The Hebrew University.
3. **Liora Lev (director)** – holds accounting and financial expertise – see paragraph 6 below).

The Committee members were appointed after a qualification inquiry and submitting declarations according to the instructions of section 3 of the Company Ordinance (Instructions and conditions for financial statements approval process), 2010.

Financial Statements Approval Process:

a. The Company's financial statements were discussed during the Committee's meeting held on May 29, 2012.

b. The majority of the Committee members participated in the meeting. Committee members were summoned to the meeting for receiving a presentation of data and providing explanations by the Company's CEO, Operations and Financing VP, the Company's accountants, external auditors, and the Company's attorney (the Company's internal auditor was summoned to the meeting but did not attend).

c. In preparation for the meeting, the draft of the financial statements and the Company's board of directors' report for the period ended at March 31, 2012 was sent for evaluation by the Committee. The aforementioned material was sent to the Committee members about three days before the meeting, and revised drafts after remarks and evaluation were sent about five days before the meeting.

d. During the Committee meeting, the following issues were presented to participants: (1) The accounting policy and treatment implemented by the Company regarding material matters; (2) Estimates and assessments regarding financial statements; (3) Risk management; (4) discussion regarding value evaluation, assumptions and assessments; (5) Internal controls related to financial reporting; (6) Completeness and appropriateness of the disclosure in financial statements; (7) The Company's financial statements data for the period ended at March 31, 2012.

e. The Committee members held a detailed discussion regarding the financial statements and their changes during the year. In addition, the Committee members were presented with the auditors' opinion regarding the aforementioned accounting policy and estimates, and various

alternatives available to the Company. The Company's auditing accountant reviewed regulation aspects and their implementation in regard to the Company's activity.

f. The participants were presented with the Company's information regarding the financial statements, including financial and operative condition, and information regarding the corporation regime, auditing and risk management in the Company. All information was detailed in the presentations. In addition, a discussion was held regarding the effectiveness of future internal control processes that are expected to be executed by the Company.

g. The Company's management presented the decisions making process in the Company regarding accounting matters vis-a-vis the Company's judgment regarding various matters.

h. The Committee members examined the process of decision making in the Company and held a detailed discussion regarding accounting estimates and assessments in the financial statements, while examining the accounting policy determined and the Company's judgment on various issues.

i. After a detailed discussion on the subject, the Committee members agreed that the Company implemented a proper accounting policy and used proper estimates and assessments.

j. In addition, with the assistance of the auditors, the Company examined the material issues in the financial statements, estimates, and judgment during the preparation of the financial statements, internal reports and so on. All were found reasonable and proper.

k. After a detailed and independent discussion by the Committee, a detailed summary document was submitted to the Company's board of directors. The document included the Committee recommendations regarding approval of the Company's financial statements for the period ended at March 31, 2012 while implementing the policy and estimates presented to and approved by the Committee members. The summary document was forwarded to the board of directors within a reasonable time before the board of directors' meeting.

l. In addition, Committee members were under the opinion that the statements disclosure is complete and proper, including correct analysis of the Company's risks and main exposures.

m. During the process of the board of directors' approval of the Company's financial statements, a draft of the financial statements and a draft of the board of directors' report for the period ended at March 31, 2012 were submitted for review by the board of directors 4 days before the meeting for the approval of such reports. During this period questions and remarks were forwarded from board members to the person responsible for financial matters in the Company.

n. During the board of directors meeting held on May 31, 2012, the business results, financial condition and the Company's cash flow were reviewed and activity data compared to the corresponding period in the previous year were presented. The Company's auditors and attorney also participated in the meeting. After discussion and based on the Committee's recommendation, the board of directors approved the financial statements.

6. Directors with Financial Accounting Expertise

According to the Company's board of directors' decision from September 21, 2005, the minimal number of directors with financial accounting expertise is one. The board of directors based its decision on the Company's activity volume, nature of activity as a research and development Company, and lack of special complexity of the Company's activity.

The following are Company directors that hold financial and accounting expertise:

1. Avigdor Kaplan – Chairman of the Company's board of directors. Education: a bachelor's degree in Economics and Statistics, a master's degree in Industrial Engineering and Management. A chairman of Clal Insurance Enterprises Holdings Ltd., and a director in several companies.

2. Liora Lev – Company director. Education: CPA, holds a bachelor's degree in Accounting and Economics, a master's degree in Industrial Engineering and Management (specialization in information systems), a graduate of the Senior Management program of Harvard Business School. A partner in a venture capital fund.

3. Gil Oren – an external director of the Company. Education: CPA, holds a bachelor's degree in Accounting and Economics and a master's degree in Industrial Engineering and Management (specialization in financing). An owner of a business consulting Company.

4. Guy Regev - Company director. Education: a bachelor's degree in law and a master's degree in Accounting and Auditing. The CEO of Shaked Global Group.

7. Disclosure Regarding Critical Accounting Estimates

According to the evaluation of the Company's management, no critical accounting estimates were used in its financial statements.

8. Indexation Report

Linkage Balance as of March 31, 2012

	March 31, 2012					
	In dollars or linked to dollars	**In euro or linked to euro**	**Linked to CPI**	**No linkage**	**Non-Monetary Items**	**Total**
	Thousand NIS					
Assets						
Cash and cash equivalents	10,067	8		155		10,230
Accounts receivable				246	3,111	3,357
Fixed Assets, net					187	187
	10,067	8		401	3,298	13,774
Liabilities						
Liabilities to suppliers and service providers	1,334	797		358		2,489
Accounts payable	1,746	12		1,215		2,973
Warrants exercisable to shares (series 6)			64			64
Warrants exercisable to shares (series 7)			882			882
Liability due to discontinuation of employee-employer relations, net				86		86
	3,080	809	946	1,659		6,494
Assets after liabilities deduction	6,987	(801)	(946)	(1,258)	3,298	7,280

Linkage Balance as of March 31, 2011

	March 31, 2011					
	In dollars or linked to dollars	**In euro or linked to euro**	**Linked to CPI**	**No linkage**	**Non-Monetary Items**	**Total**
	Thousand NIS					
Assets						
Cash and cash equivalents	2,376	1,077	-	7,784	-	11,237
Accounts receivable	-	-	-	179	2,327	2,506
Fixed Assets, net	-	-	-	-	441	441
	2,376	1,077	-	7,963	2,768	14,184
Liabilities						
Liabilities to suppliers and service providers	772	16	-	377	-	1,165
Accounts payable	851	-	-	1,151	1,339	3,341
Warrants exercisable to shares (series 5)	-	-	1,125	-	-	1,125
Liability due to discontinuation of employee-employer relations, net	-	-		134	-	134
	1,623	16	1,125	1,662	1,339	5,765
Assets after liabilities deduction	753	1,061	(1,125)	6,301	1,429	8,419

Linkage Balance as of December 31, 2011

	December 31, 2011					
	In dollars or linked to dollars	**In euro or linked to euro**	**Linked to CPI**	**No linkage**	**Non-Monetary Items**	**Total**
			Thousand NIS			**Thousand NIS**
Assets						
Cash and cash equivalents	14,089	65		468		14,622
Accounts receivable				374	3,386	3,760
Fixed Assets, net					278	278
	14,089	65	-	842	3,664	18,660
Liabilities						
Liabilities to suppliers and service providers	1,029	570	-	331	-	1,930
Accounts payable	1,725	-	-	961	-	2,686
Warrants exercisable to shares (series 5)			138	-	-	138
Warrants exercisable to shares (series 6)	-	-	396	-	-	396
Warrants exercisable to shares (series 7)	-	-	793	-	-	793
Liability due to discontinuation of employee-employer **relations, net**				190		
	2,754	570	1,327	1,482	-	6,133
Assets after liabilities deduction	11,335	(505)	(1,327)	(640)	3,664	12,527

9. Sensitivity Tests Tables

Dollar Exchange Rate Sensitivity

Type of Asset/ (liability)	Fair value as of (31.03.12)	Profit (loss) from changes		Profit (loss) from changes	
		An increase of 10% in dollar rate	An increase of 5% in dollar rate	A decrease of 10% in dollar rate	A decrease of 5% in dollar rate
		Thousand NIS			
Cash and cash equivalents	10,067	1,007	503	(1,007)	(503)
Liabilities to suppliers and service providers	(1,334)	(133)	(67)	133	67
Accounts payable	(1,746)	(175)	(87)	175	87
Total	6,987	699	349	(699)	(349)

Sensitivity to changes of interest in NIS and dollars is not significant.

Since a major part of the Company's expenses are in US dollars, the Company takes action for minimizing currency risks by preserving some of its liquidity in US dollars or linked to US dollars. As protection of financial exposure which does not contradict the accounting exposure, the Company holds most of its current assets in foreign currency balances and balances linked to foreign currency.

10. Exceptional Events after the Balance Period

On April 2, 2012 the Company announced the summoning of a special meeting of the shareholders of the Company for approval of extending the exercise period of 2,032,136 unlisted Company options to 5 additional years, so that the options exercise period will be 10 years from the date they were originally granted similar to the exercise period according to the Company's option plan. The options were granted to Mr. Ilan Cohn, a director at the Company with an exercise period of 5 years and an exercise price of NIS 1.27 (reference: 2012-01-112530). On May 8, 2012 the special meeting of the shareholders of the Company approved extending the exercising period of the options as aforesaid.

On April 3, 2012 the Company announced the board of director's approval of a private issuance of 600,000 unlisted options exercisable into 600,000 ordinary shares at a nominal value of NIS 0.01 each to 6 employees, 2 out of whom are officers of the Company. The exercise price of each option is NIS 0.385. The options will be exercisable during 48 months after date of issuance so that 1/16 of the options granted to each offeree is exercisable on a quarterly basis. The options exercise period is 10 years from date of issuance. For additional details, see the Company's report (reference: 2012-01-092565). On May 2, 2012 the Stock Exchange approved the listing for trade of the shares that will be result from exercising the abovementioned options and on May 3, 2012 the Company issued 600,000 unlisted options.

On April 10, 2012, the Company announced that its subsidiary OphthaliX which concentrates the Company's development of drugs in the field of ophthalmic diseases published successful results of preclinical studies which tested the efficacy of CF101 for Anterior Uveitis, a disease which affects the front part of the eyeball. The pre-clinical trial demonstrated that CF101 is efficacious in preventing the clinical manifestations of the disease in accepted models in the field of ophthalmic diseases. These results, together with the previous published results demonstrating the efficacy of CF101 for Posterior Uveitis, support further development of CF101 as a drug for treatment of patients with Anterior or Posterior Uveitis and as such increase the market to which the drug is intended. The number of patients with these two indications exceeds 211,111 which is the maximal number of patients for which an orphan drug status is granted by the FDA, and therefore OphthaliX will develop CF101 for these two indications that address a larger number of patients.

On April 23, 2012 the Company announced the conclusion of enrolling the first 100 patients for a Phase II/III trial of CF101 for treatment of psoriasis. The Phase II/III trial will include about 300 patients and is conducted in several medical centers in USA, Europe and Israel. The trial includes 3 arms: patients that are treated with a dose level of 1 or 2 mg of CF101 and placebo. After a treatment of the first 100 patients during 3 months, an interim report will be carried out by an external experts committee. The report will include a recommendation by the committee whether to proceed with the trial and complete enrolling all 300 patients for the trial. The primary endpoint that will be tested is an improvement of PGA (Physician's Global Assessment) values. This measure was found statistically significant in the previous Phase II trial conducted by the Company with a similar protocol.

On May 1, 2012 the Company offered securities to the public based on a published shelf offering report (reference: 2012-01-328635) according to a shelf prospectus published by the Company on May 27, 2010. The securities were offered to the public in form of 4,000 units (hereafter: "**Units**"),

by way of a tender offer of the Unit price, with a minimal price of NIS 1,431 per Unit. Each Unit consists of 3,000 ordinary Company shares at a nominal value of NIS 0.477 per share, 2,000 options (series 8) and 3,000 options (series 9), both option series are included for no consideration. All Units were made available to the public during the issuance. Total net issuance from this offering was approximately NIS 5,350 thousand (after a deduction of issuance expenses at a total of about NIS 491 thousand). The amounts raised in such issuance was received by the Company on May 2, 2012.

On May 1, 2012 the Company announced a change in the Company's convertible securities according to the announcement of the Tel Aviv Stock Exchange Ltd. (hereafter: "**stock exchange**") from January 8, 2012 regarding payment on T+1 day of convertible shares and securities (hereafter: "**stock exchange announcement**"), and according to the announcement of the Securities Authority on this matter from March 19, 2012. For details regarding this change, see the C report (reference: 2012-01-112530).

On May 7, 2012 the Company announced that its board of directors decided to submit a settlement or arrangement request according to Section 350 of the Companies Ordinance, 1999, within the framework of which the District Court will be requested to issue an order to hold a meeting of the Company's shareholders and holders of series 6 options that were issued based on a prospectus from May 27, 2010, for approving the extension of the exercise period of series 6 options to December 31, 2012 (hereafter: the "**Request**"). On the same date, the Company reported the submission of a request to the District Court in Petah-Tikva (reference: 2012-01-112530) and the court's decision according to which the request was forwarded to the Securities Authority for a response within 7 days. On May 9, 2012, after receiving a response from the Securities Authority, the court approved: (1) an interim relief according to which the exercise period of series 6 options will be extended to June 30, 2012 and (2) summoning a shareholders and series 6 options holders meeting for approving the aforementioned arrangement. On May 13, 2012 the Company announced the summoning of the shareholders and series 6 options holders general meeting on May 30 2012 (reference: 2012-01-000637). On May 30, 2012 the meeting of the shareholders approved the aforementioned arrangement and the meeting of the holders of series 6 options was postponed due to lack of quorum. The deferred meeting of the holders of series 6 options was held on June 6, 2012 and such meeting approved the arrangement. On June 17, 2012 the District Court in Petah-Tikva approved the aforesaid arrangement as detailed in the Company's application of June 6, 2012 (reference: 2012-01-149628 and 2012-01-158553, respectively).

On May 21, 2012 the Company announced that it has received the approval of the office of the chief scientist at the Ministry of Trade and Industry ("**Chief Scientist**"), for the development budget for the development of CF102 for the treatment of liver cancer, in an amount of NIS 4,859,163 for a research and development period of one year, and with a participation of the Chief Scientist at a rate of 30%-40% of the approved development budget. The receipt of the development budget is contingent upon the approval of the Board of Directors of the Company and compliance with certain terms and conditions set out by the Chief Scientist.

After the reporting period (March 31, 2012), 316,875 unlisted options were exercised into 316,875 ordinary Company shares at a nominal value of 0.01 NIS each. The amount received from the exercise of the options was approximately NIS 97,000.

After the reporting period 600,000 unlisted options for 600,000 ordinary shares of the Company securities at a nominal value of 0.01 NIS each, were allocated to employees of the Company.

11. Administrative Enforcement

The Company's board of directors has decided to establish an administrative enforcement plan and instructed the Company's management to start preparing it. The management of the Company is currently preparing the administrative enforcement plan and upon finalizing the plan it will be brought for the board of directors approval.

_____	_____
Avigdor Kaplan ,	Pnina Fishman,
Chairman of the Board of Directors	CEO and Director

Quarterly report on the effectiveness of internal control over financial reporting and disclosure pursuant to Regulation 38c(a)

Management, under the supervision of the board of directors of Can-Fite Biopharma Ltd. ("**the Company**"), is responsible for planning and maintaining adequate internal control over financial reporting and disclosure in the Company. For this matter, the executive are:
Mrs. Pnina Fishman, CEO;
Mr. Motti Farbstein, COO;
Mr. Itay Weinstein, Accounts Manager.

Internal control over financial reporting and disclosure consists of the Company's existing controls and procedures that have been planned by the CEO and Chief Financial Officer or under their supervision, or by the equivalent acting officers, under the governance of the Company's board of directors, designed to provide reasonable assurance about the reliability of financial reporting and the preparation of the financial statements in compliance with applicable laws, and guarantee that all information that the Company is required to disclose in the financial statements issued by law is collected, processed, summarized and reported in a timely manner and according to the format prescribed by law.

Among other things, internal control includes controls and procedures planned to guarantee that all information that the Company is required to disclose as above is gathered and transferred to the Company's management, including the CEO and Chief Financial Officer, or the equivalent acting officers, in order to allow decision making on a timely basis with respect to the disclosure requirement.

Because of its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute assurance that misstatements or omissions of information in the financial statements will be prevented or detected.

In the annual report regarding the effectiveness of internal control over financial reporting and disclosure which was attached to the periodic report for the periodended on December 31, 2012 ("**The last annual report regarding internal control**"), the board of directors and management, has performed the internal control in the Company.

Based on the assessment of the effectiveness detailed above, the board of directors and management have concluded that the internal control over financial reporting and disclosure in the Company as of December 31, 2011 is effective.

Until the date of this report, no event or matter was brought to the attention of the board of directors or management that may change the assessment of the effectiveness of internal control, as reported in the last annual report regarding internal control.

To the date of this report, based on the assessment of the effectiveness of internal control, as reported in the last annual report regarding internal control, and based on information brought to the attention of the management and board of directors, the internal control is effective.

Chief Executive Officer's Statement pursuant to Regulation 38c(d)(1):

Letter of Representation
Chief Executive Officer's Statement

I, Pnina Fishman, hereby declare that:

(1) I have reviewed the interim periodic report and accompanying financial information of Can-Fite Biopharma Ltd. ("**the Company**") for March 312012 ("**the reports**").

(2) To my knowledge, the reports do not contain any misrepresentation of any material facts and do not omit any representation of any material facts that are needed in order for the representations included therein, in view of the circumstances under which such representations were included, not to be misleading with reference to the period of the reports.

(3) To my knowledge, the financial statements and any other financial information included in the reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Company for the dates and periods addressed in the reports.

(4) I have disclosed to the Company's auditor, to the Company's board of directors and audit committee, based on my latest evaluation of internal control over financial reporting and disclosure:

   (a) All the significant deficiencies and the material weaknesses in the establishment or operation of internal control over financial reporting and disclosure that are liable to reasonably adversely affect the Company's ability to record, process, summarize or report financial information in a manner that is to impair the reliability of financial reporting and the preparation of the financial statements in accordance with applicable law; and

   (b) Any fraud, whether material or not, that involves the CEO or direct subordinates thereto or that involves other employees with a significant role in internal control over financial reporting and disclosure.

(5) I, alone or along with others in the Company:

   (a) Have established controls and procedures, or have secured the establishment and existence of such controls and procedures under my supervision, designed to guarantee that material information relating to the Company, including its subsidiaries as they are defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my knowledge by others in the Company and in the subsidiaries, particularly during the period of the preparation of the reports; and

   (b) Have established controls and procedures, or have secured the establishment and existence of such controls and procedures under my supervision, designed to reasonably guarantee the reliability of financial reporting and the preparation of the financial statements in accordance with applicable law, including according to generally accepted accounting principles;

   (c) In the period between the last periodic report to this report, no event or matter was brought to my attention that may change the board of directors and management conclusion regarding the effectiveness of said internal control and the disclosure of the Company.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of anyone else, pursuant to any law.

May 31, 2012	
Date	Pnina Fishman, CEO

Chief Financial Officer's Statement pursuant to Regulation 38c(d)(2):

Letter of Representation
Chief Financial Officer's Statement

I, Motti Farbstein, hereby declare that:

(1) I have reviewed the periodic report and accompanying financial information of Can-Fite Biopharma Ltd. ("**the Company**") for March 31 2012 ("**the reports**").

(2) To my knowledge, the reports do not contain any misrepresentation of any material facts and do not omit any representation of any material facts that are needed in order for the representations included therein, in view of the circumstances under which such representations were included, not to be misleading with reference to the period of the reports.

(3) To my knowledge, the financial statements and any other financial information included in the reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Company for the dates and periods addressed in the reports.

(4) I have disclosed to the Company's auditor, to the Company's board of directors and audit committee, based on my latest evaluation of internal control over financial reporting and disclosure:

   (a) All the significant deficiencies and the material weaknesses in the establishment or operation of internal control over financial reporting and disclosure that are liable to reasonably adversely affect the Company's ability to record, process, summarize or report financial information in a manner that is to impair the reliability of financial reporting and the preparation of the financial statements in accordance with applicable law; and

   (b) Any fraud, whether material or not, that involves the CEO or direct subordinates thereto or that involves other employees with a significant role in internal control over financial reporting and disclosure.

(5) I, alone or along with others in the Company:

   (a) Have established controls and procedures, or have secured the establishment and existence of such controls and procedures under my supervision, designed to guarantee that material information relating to the Company, including its subsidiaries as they are defined in the Securities Regulations (Annual Financial Statements), 1993, is brought to my knowledge by others in the Company and in the subsidiaries, particularly during the period of the preparation of the reports; and

   (b) Have established controls and procedures, or have secured the establishment and existence of such controls and procedures under my supervision, designed to reasonably guarantee the reliability of financial reporting and the preparation of the financial statements in accordance with applicable law, including according to generally accepted accounting principles;

   (c) In the period between the last periodic report to this report, no event or matter was brought to my attention that may change the board of directors and management conclusion regarding the effectiveness of said internal control and the disclosure of the Company.

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There is nothing in the aforesaid to derogate from my responsibility or the responsibility of anyone else, pursuant to any law.

May 31, 2012
Date

Motti Farbstein, COO and CFO

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