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Press Release

Can-Fite Initiated Phase IIb Clinical Trials in Rheumatoid Arthritis Patients; has achieved milestones enabling it to convert issued debentures

The Company has received the final report summarizing the results of the Phase IIa clinical trial in Rheumatoid Arthritis patients, demostrating a decrease in disease parameters

Prof. Pnina Fishman, CEO of Can-Fite: "We are pleased with the positive results of the trial and the initiation of Phase IIb. Can-Fite thereby continues to meet the timetables it presented to investors".

Can-Fite BioPharma has initiated Phase IIb in rheumatoid arthritis patients with its lead drug CF101. At the same time, Can-Fite reports that it has received the final report summarising the results of the Phase IIa clinical trial in the same patient population showing impressive drug activity. The results appearing in the final report are consistent with the interim results of this study, previously published by the Company.

Can-Fite has thereby achieved two highly significant milestones in the development process of its flagship product, the CF101 drug. Achieving these targets means another step up in the clinical development process. Meeting these targets also enables the Company to convert the debentures it issued to the public in May 2006. Conversion of the debentures by the Company may take place at any time prior to April 2007, at the average per share price during the 30 trading days prior to the company notice of its decision, less10%, but not more than the price at which any debenture-holder can convert the debentures, namely a ratio of debentures valued at NIS 2.5 for each share of the Company. The final conversion date of the debentures is April 2007. The Company's share is currently priced at approx. NIS 1.00. The aggregate value of the series of debentures is approx. NIS 30 million.

The Phase IIa clinical trial conducted by the Company evaluated the efficacy and safety of the CF101 drug in 74 patients with severe Rheumatoid Arthritis. The drug was administered per os in three doses: 0.1 mg (milligram), 1 mg and 4 mg over a 12-week period. The objective of the trial was to evaluate the improvement in a series of disease indices including the number of swollen and painful joints found in these patients. In addition, evaluation of the response was conducted on the basis of the ACR parameter reached by weighting 8 different disease indices in accordance with the criteria of the American College of Rheumatology.

The final report of the Company's Phase IIa trial, prepared by an external entity, namely Advanced Biomedical Research Inc, indicates that the drug has a most impressive safety profile. This fact has a far-reaching impact on the continued development and commercialization of the drug.

The report also indicates that among the patients who participated in the trial, a considerable improvement was observed in the number of swollen and tender joints in all dosages evaluated. In addition, in the dosage that provided the best result, 55.6% of the patients responded with ACR20 and 33.3% responded with ACR50. This is a marked improvement considering the duration of the treatment and in comparison to the other drugs available on the market today.

As stated, the Company recently initiated Phase IIb clinical trial with CF101 in Rheumatoid Arthritis patients. This trial is expected to include 250 patients and is currently conducted in the United States, Europe and Israel.

About Can-Fite

Can-Fite is a biopharmaceutical company that is developing a number of drugs. Its lead drug, CF101, is currently undergoing clinical development to evaluate its efficacy in the treatment of rheumatoid arthritis. In addition, the Company will shortly begin evaluating the efficacy of this drug in the treatment of dry eye syndrome.

Rheumatoid arthritis is a chronic autoimmune disease characterized mainly by inflammation of the lining, or synovium, of the joints that can lead to long-term joint damage, resulting in chronic pain, loss of function and disability. The market for inflammation-modifying anti-rheumatic drugs is estimated to be approx. US$ 5 billion and is expected to rise to approx. $7 billion by 2007.

Can-Fite recently announced that it has initiated non-clinical development in the United States on CF102, the second molecule in the development pipeline. The Company estimates that Phase I clinical trials with this molecule will initiate in 2007.

CAN-FITE BIOPHARMA LTD, which commenced business activity in 2000, was founded by researcher Prof. Pnina Fishman and patent attorney Dr. Ilan Cohn. The Company, founded on the basis of Fishman’s scientific findings, focuses on the development of molecule-based drugs that bind to the A3 adenosine receptors. The latter are abundantly expressed on the cell surface of cancer or inflammatory cells and the drug inhibits their development. The Company’s lead drug, CF101, is being developed to treat rheumatoid arthritis, and is currently undergoing Phase IIb clinical trials. The Company is also planning a further clinical trial to evaluate the efficacy of CF101 in the treatment of the dry eye syndrome in patients suffering from that disease.

Can-Fite shares were issued to the public in September 2005, when the Company raised approx. NIS 45 million. Last May, the Company

completed an issuance of convertible debentures in a volume of some NIS 30 million. The Company's shares are listed on the Tel-Tech index of the Tel-Aviv Stock Exchange.

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