

## IMPORTANT NOTE

This document is an unofficial translation of the Hebrew original, February 4, 2013 shelf prospectus report of Can-Fite BioPharma Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on February 4, 2013.

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.

("the Company")

## Shelf Prospectus Report

Based on the shelf prospectus of the Company published on July 27, 2012 (hereinafter: "**the Shelf Prospectus**"), in accordance with the provisions of the Securities Regulations (Shelf Offering of Securities), 2005, the Company hereby publishes a Shelf Offering Report for the issuance and listing for trade on the Tel-Aviv Stock Exchange Ltd. (hereinafter: "**the Stock Exchange**" and/or "**the TASE**") of securities listed hereunder in this Shelf Offering Report (hereinafter: "**the Shelf Offering Report**").

In the Shelf Offering Report, the following terms shall have the meanings given to them in the Shelf Prospectus unless otherwise stated.

For details of changes and significant developments that have occurred in any matter that should be described in the Shelf Prospectus, and that have taken place from the publication date of the Shelf Prospectus until the publication date of the Shelf Offering Report, see section 9 below.

The Shelf Prospectus includes, inter alia, the amount of up to 100,000,000 Ordinary shares of the Company and up to 50,000,000 warrants (series 10 to 14) exercisable into the Company's Ordinary shares. This Shelf Offering Report is an initial public offering based on the Shelf Prospectus.

## 1. The offered securities

- 1.1 UP to 69,270,000 Ordinary shares of the Company of NIS 0.01 par value each (hereinafter: "**the Shares**") which represent approximately 20.22% of the issued and paid up share capital of the Company, and approximately 14.21% of the issued and paid-up share capital of the Company on a fully diluted basis. After the issuance under this Shelf Offering Report and assuming that the acquisition takes place of all offered units, then the balance of remaining shares in accordance with the Shelf Prospectus shall be 30,730,000 shares, and assuming that the acquisition takes place of all offered units according to section 4 hereunder, then the balance of remaining shares in accordance with the Shelf Prospectus shall be 25,230,000 Ordinary shares.
- 1.2 Up to 34,635,000 warrants (series 10), which represent approximately 7.11% of the issued and paid-up share capital of the Company on a fully diluted basis, which are exercisable on every trading day, except between the 12th to the 16th of every month, from the day of listing for trade on the Stock Exchange and until October 31, 2015 (inclusive), such that every warrant shall be exercisable into one Ordinary share of NIS 0.01 par value, subject to adjustments detailed in section 2.17.11 of the Shelf Prospectus, for a cash exercise price of NIS 0.394, linked to the Israeli Consumer Price Index, from the index published on January 15, 2013 for the month of December 2012. Any warrant (series 10) which is not exercised by October 31, 2015 shall expire and cease to have any legal effect in relation to its holder. After the issuance under this Shelf Offering Report and assuming that all the offered units are purchased, then the balance of remaining warrants (series 10) in accordance with the Shelf Prospectus shall be 15,365,000 warrants (series 10), and assuming that all the offered units are purchased according to section 4 hereunder, then the balance of remaining warrants (series 10) in accordance with the Shelf Prospectus shall be 12,615,000 warrants (series 10).
- 1.3 Up to 34,635,000 warrants (series 11), which represent approximately 7.11% of the issued and paid-up share capital of the Company on a fully diluted basis, which are exercisable on every trading day, except between the 12th to the 16th of every month, from the day of listing for trade on the Stock Exchange and until April 30, 2016 (inclusive), so that each warrant (series 11) shall be exercisable into to one Ordinary share of NIS 0.01 par value, subject to adjustments detailed in section 2.17.11 of the Shelf Prospectus, for a cash exercise price of NIS 0.392, linked to the Israeli Consumer Price Index, from the index published on January 15, 2012 for the month of December 2012. Any warrant (series 11) which is not exercised by April 30, 2016 shall expire and cease to have any legal effect in relation to its holder. After the issuance under this Shelf Offering Report and assuming that all the offered units are purchased, then the balance of remaining warrants (series 11) in accordance with the Shelf Prospectus shall be 15,365,000 warrants (series 11), and assuming that all the offered units are purchased according to section 4 hereunder, then the balance of remaining warrants (series 11) in accordance with the Shelf Prospectus shall be 12,615,000 warrants (series 11).
- 1.4 As of the date of the Shelf Offering Report, the authorized share capital of the Company is NIS 5,000,000 divided to 500,000,000 Ordinary shares of NIS 0.01 par value each. As of the date of the Shelf Offering Report, the issued and paid-up share capital of the Company is 273,379,902 shares of NIS 0.01 par value each and 347,023,348 shares of NIS 0.01 par value each on a fully diluted basis <sup>1</sup>. After the issuance under the Shelf Offering Report, the issued and paid-up share

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<sup>1</sup> Assuming all unlisted options for employees, directors and others, as well as all warrants (series 6), warrants (series 7), warrants (series 8) and warrants (series 9) will be exercised into shares.

capital of the Company will be 342,649,902 shares of NIS 0.01 par value each and 485,563,348 shares of NIS 0.01 par value each on a fully diluted basis <sup>2</sup>. If an additional allocation according to section 4 below will be performed, the issued and paid-up share capital of the Company will be 348,149,902 shares of NIS 0.01 par value each and 496,563,348 shares of NIS 0.01 par value each on a fully diluted basis.

After the issuance under the Shelf Offering Report, and assuming that all the securities offered hereunder are purchased, the shares shall represent, right after being issued, about 20.22% of the issued and paid-up share capital of the Company, and about 14.21% of the issued and paid-up share capital of the Company on a fully diluted basis. Assuming that all of the securities offered under the Shelf Offering Report are purchased and all the warrants (series 10) and warrants (series 11) are exercised, the shares and the shares that will arise from the exercise of all warrants (series 10) and warrants (series 11) offered under the Shelf Offering Report shall represent approximately 40.43% of the issued and paid-up share capital of the Company and approximately 28.43% on a fully diluted basis.

- 1.5 For details on the issued and paid-up share capital of the Company, after the completion of the offering based on the Shelf Offering Report and assuming all securities hereunder are issued, see section 12.1 of the Shelf Offering Report.

## **2. Process of offering the securities**

- 2.1 The shares, warrants (series 10) and warrants (series 11) shall be offered to the public in 6,927 units by way of a tender offer on the price of the unit, each unit consisting of the following securities:

10,000 shares	NIS 0.3144 per share
5,000 warrants (series 10)	For no consideration
5,000 warrants (series 11)	For no consideration
<b><u>Total price per unit</u></b>	<b><u>NIS 3,144</u></b>

- 2.2 Each subscriber will indicate the number of units which such subscriber desires to acquire and the price per unit offered by the subscriber, which shall not be less than a minimum amount of NIS 3,144 per unit as detailed above (hereinafter: "**the Minimum Price**").

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<sup>2</sup> Assuming all warrants (series 6), warrants (series 7), warrants (series 8), warrants (series 9), warrants (series 10), warrants (series 11) and all unlisted options for employees, directors and others, will be exercised into shares.

- 2.3 Any subscription request setting a price per unit less than the Minimum Price will be deemed a request which was not submitted.
- 2.4 Requests for the acquisition of units can be for full units only. Any request for a portion of a unit shall be deemed a request for the whole number of units and any fractions shall be deemed as if not requested. A request for less than one unit shall not be accepted.
- 2.5 Each subscriber may submit up to three requests at different prices, which shall not be less than the Minimum Price per unit, provided that the difference between the prices shall be in increments of NIS 100 per unit, so that the first step above the Minimum Price shall be NIS 3,244, and after that the price may be NIS 3,344, NIS 3,444, etc. A price set out in a request which is not set out in the aforesaid steps shall be rounded down to the closest step as detailed above.
- 2.6 The total units requested by one applicant will not exceed the amount offered pursuant to the Shelf Offering Report; that is 6,927 units. In a case where an applicant will submit one or more requests for units at an aggregate rate that exceeds the maximum number of units offered in the Shelf Offering Report, all of those requests will be viewed as if they were submitted for the purchase of 6,927 units only.
- 2.7 The requests for the purchase of units are irrevocable. Any request will be considered as an irrevocable request on the part of the applicants to receive the units that will be allocated to them as a result of a full or partial response to their request, and to pay through the issuance coordinator the full price for the units that will be allocated to them subsequent to the response pursuant to the conditions of the Shelf Offering Report and the Shelf Prospectus to their application.
- 2.8 The period for filing applications for the purchase of units offered to the public in the framework of the tender, as stated in paragraph 2, will commence as of February 4, 2013 at 15:30 (after at least five hours of trade have elapsed from the time of the publication of the Shelf Offering Report) and will conclude at 18:00 on the same day (hereinafter: "**the time of the closing of the signature list**").
- 2.9 The issuance coordinator will be Bank Leumi LeIsrael Ltd. (hereinafter: "**the issuance coordinator**").
- 2.10 Applications for the purchase of units will be submitted to the Company via the issuance coordinator or via the banks or via other members of the Stock Exchange (hereinafter: "**those authorized to receive applications**") no later than from the date of the closing of the list of signatures.
- 2.11 Those authorized to receive the applications will be responsible and obligated toward the Company and toward the issuance coordinator for the full payment of the consideration that is due to the Company in respect to the applications that were submitted via them and which were responded to in full.
- 2.12 Every application that will be submitted to the party authorized to receive the applications on the day of the tender will be considered as having been received on that day if it will be received by the party authorized to receive the applications until the time of the closing of the list of signatures, and on condition that it will be transferred by the party authorized to receive applications to the issuance

coordinator, and will be received by the issuance coordinator until 18:00 on that day (hereinafter: "**the final time for submitting to the coordinator**").

- 2.13 The request will be transferred by the parties authorized to receive applications to the issuance coordinator in closed envelopes which will remain closed until the final time for submitting to the coordinator will have elapsed. The closed envelopes will be placed into a closed box together with the other applications that were submitted directly to the issuance coordinator, and this until the aforesaid hour.
- 2.14 On the day of the tender, after 18:00, the box will be opened and the applications, in the presence of a representative of the Company and its auditor, who will supervise the proper conducting of the tender's procedures and, also the results of the tender will be added and processed.
- 2.15 On the first business day after the date of the tender, no later than 10:00, a notice will be delivered to the applicants by the issuance coordinator, whose applications were answered in whole or in part, through the party authorized to receive applications. The notice will indicate the price per unit determined in the tender, the number of units that will be allocated to each applicant, and the consideration that is due to them for the units. Upon receipt of the notice, and on the same day until 12:30 in the afternoon, the applicants will transfer to the issuance coordinator, through those parties authorized to receive the applications, to a special account as stated in paragraph 2.11 of the shelf prospectus, the entire consideration that is due to them in respect to the units regarding which their application was answered, as stated in the aforesaid notice.
- 2.16 On the last business day following the day of the tender, the Company will give notice of the results of the tender in an immediate report to the Securities Authority and the Stock Exchange, and within two additional business days it will publicize this in an announcement in two widely distributed newspapers in Israel in Hebrew.
- 2.17 For full details regarding the tender's procedures, see paragraphs 2.6.1, 2.6.2, 2.6.3 and 2.6.4 to the Shelf Prospectus.
- 2.18 The securities offering via the Shelf Offering Report is not secured by underwriting.

### **3. Conditions of the offered securities**

#### The shares

- 3.1 Up to 69,270,000 Ordinary shares of the Company of NIS 0.01 par value each.
- 3.2 The offered shares pursuant to the Shelf Offering Report are identical to the Ordinary shares existing in the Company's issued share capital.
- 3.3 The related rights of the shares that are offered in the Shelf Offering Report are described in section 4 to the Shelf Prospectus.
- 3.4 In accordance with the Stock Exchange's set of rules, the offered shares as well as the shares that will result from the exercise of warrants (series 10) and of warrants (series 11), under the offering

pursuant to this Shelf Offering Report, will be registered at the registrar of the Company's shareholders in the name of the registration company.

- 3.5 Subsequent to the issuance pursuant to this Shelf Offering Report, the Company will have six series of marketable warrants. In accordance with the guidance of the Stock Exchange, a company requesting to list more than three series of warrants for trade is required to maintain a value of public holdings of at least NIS 24 million; the Company has public holdings with a value of NIS 82,157,342 as of January 31, 2013.

#### Warrants (series 10) and warrants (series 11)

- 3.6 Up to 34,635,000 listed warrants (series 10) are exercisable into Ordinary shares of the Company of NIS 0.01 par value each, on every trading day, except between the 12th and 16th of every calendar month, commencing with the day they are listed for trade on the Stock Exchange until October 31, 2015 (inclusive) (hereinafter: "**the vesting period**" and "**the last exercise date**", respectively), such that each warrant (series 10) is exercisable into one Ordinary share of NIS 0.01 par value, in consideration of a cash exercise price of NIS 0.394 linked to the Israeli Consumer Price Index that is published on January 15, 2013 in respect of December 2012 (hereinafter: "**the exercise price**"), subject to adjustments as detailed in paragraph 2.17.11 to the Shelf Prospectus. The warrants (series 10) that are not exercised until the final vesting date (inclusive), namely in respect of which a notice of exercise and the payment of the exercise price are not received by the Company until that date, will expire, will be void, and its holder will not have any right or claim whatsoever.
- 3.7 As aforesaid, and as detailed in paragraph 2.17.4(a) to the Shelf Prospectus, the exercise price of the warrants (series 10) is linked to the Israeli Consumer Price Index that was published on January 15, 2013 for December 2012 (hereinafter: "**the base index**"). The exercise price of the warrants (series 10) will be linked, as detailed below: should it become evident that the exercise index [the known index as of the date of the exercise of the warrants (series 10)] has increased as compared with the base index, the exercise price will increase at a rate identical to the rate of increase in the exercise index as opposed to the base index; however, if the exercise price is identical to the base index or lower, the exercise index will be the base index.
- 3.8 The economic value of every warrant (series 10) is about NIS 0.104. The aforesaid economic value was calculated according to the Black & Scholes method, in accordance with the calculation formula in the guidance of the Stock Exchange, taking into consideration the closing rate for the Company's Ordinary shares on the Stock Exchange as of January 27, 2013, which was NIS 0.382, where the weekly standard deviation is 6.07% (which embodies an annual standard deviation of 43.77%), and an annual capitalization coefficient that is 0% and, also, assuming that the warrants (series 10) will be exercised on the last exercise date.
- 3.9 Up to 34,635,000 registered warrants (series 11) are exercisable into Ordinary shares of the Company of NIS 0.01 par value each, on every trading day, except between the 12th and 16th of every calendar month, commencing with the day they are listed for trade on the Stock Exchange until April 30, 2016 (inclusive) (hereinafter: "**the vesting period**" and "**the last exercise date**", respectively), such that each warrant (series 11) is exercisable into one Ordinary share of NIS 0.01 par value, in consideration of a cash exercise price of NIS 0.392 linked to the Israeli Consumer Price Index that is published on January 15, 2013 in respect of December 2012 (hereinafter: "**the exercise price**"), subject to adjustments as detailed in paragraph 2.17.11 to the Shelf Prospectus.

The warrant (series 11) that is not exercised until the final vesting date (inclusive), namely in respect of which a notice of exercise and the payment of the exercise price are not be received by the Company until that date, will expire, will be void, and its holder will not have any right or claim whatsoever.

- 3.10 As stated above and as detailed in paragraph 2.17.4(a) to the Shelf Prospectus, the exercise price of the warrants (series 10) is linked to the Israeli Consumer Price Index that was published on January 15, 2013 for December 2012 (hereinafter: "**the base index**"). The exercise price of the warrants (series 11) will be linked, as detailed below: should it become evident that the exercise index (the known index as of the date of the exercise of the warrant (series 11) has increased as compared with the base index, the exercise price will increase at a rate identical to the rate of increase of the exercise index as opposed to the base index; however, if the exercise price is identical to the base index or lower, the exercise index will be the base index.
- 3.11 The economic value of every warrant (series 11) is about NIS 0.114. The aforesaid economic value was calculated according to the Black & Scholes method, in accordance with the calculation formula in the guidance of the Stock Exchange, taking into consideration the closing rate for the Company's Ordinary shares on the Stock Exchange as of January 27, 2013, which was NIS 0.382, where the weekly standard deviation is 6.07% (which embodies an annual standard deviation of 43.77%), and an annual capitalization coefficient that is 0% and, also, assuming that the warrants (series 10) are exercised on the last exercise date.
- 3.12 There will not be any exercise of warrants (series 10) and warrants (series 11) on the date of record for the distribution of the bonus shares for an offering by way of rights for the distribution of a dividend for the consolidation of share capital, for the split of share capital or for the reduction in share capital (each of the above hereinafter: "**Company event**"). If the ex-day of a Company event occurs prior to the date of record for the Company's event, then an exercise will not occur on the aforesaid ex-day.
- 3.13 For further details regarding the terms of the warrants (series 10) and the warrants (series 11), see paragraphs 2.17.3, 2.17.4(a), 2.17.5, 2.17.6, 2.17.8, 2.17.9, 2.17.10 and 2.17.13 to the Shelf Prospectus.
- 3.14 For details regarding the provisions for the protection of the holders of warrants (series 10) and warrants (series 11) during the vesting period, see paragraph 2.17.12 to the Shelf Prospectus.
- 3.15 Below are adjustments to the warrants (series 10) and the warrants (series 11) in the event of a distribution of bonus shares, participation in the issuance of rights and the distribution of a cash dividend as detailed in paragraph 2.17.11 to the Shelf Prospectus.
- (a) Bonus shares will be distributed pursuant to paragraph 2.17.11a to the Shelf Prospectus.

- (b) Rights will be issued pursuant to paragraph 2.17.11b to the Shelf Prospectus, as detailed below:

Should the Company offer securities to its shareholders of any class whatsoever by way of an issuance of rights, from the date of the Shelf Offering Report and through the end of the vesting period in regard to the warrants (series 10) and the warrants (series 11), the number of shares stemming from the exercise will be adjusted to the benefit component in the rights, as it is expressed in the ratio between the closing rate for the share on the Stock Exchange on the last trading day prior to the ex-day, and the base rate of the ex-rights share. The Company will give notice in an immediate report of the adjusted exercise ratio prior to the opening of trade on the date on which the ex-rights shares will be traded. This method of adjustment is not changeable.

- (c) A dividend will be distributed pursuant to paragraph 2.17.11c to the Shelf Prospectus, as detailed below:

In a case where a cash dividend is distributed to the shareholders, the exercise price will be multiplied by the ratio between the base rate of the ex-dividend and the closing rate for the share on the Stock Exchange on the last trading day prior to the date of the ex-dividend. The Company will give notice of the adjusted exercise price in an immediate report prior to the opening of trade on the day on which the ex-dividend shares will be traded. The adjustment method as detailed above is not changeable.

3.16 Ordinary shares of NIS 0.01 par value each that will result from the warrants (series 10) and the warrants (series 11) that are being offered will have the same rights as Ordinary shares of NIS 0.01 par value each existing in the Company's issued share capital. The principal rights relating to the Ordinary shares of the Company of NIS 0.01 par value each are described in chapter 4 to the Shelf Prospectus.

#### **4. Additional allocation to the entire applicants subsequent to the date of the tender**

In accordance with paragraph 2.6.5b to the Shelf Prospectus, in a case where there will be an oversubscription, as defined in the provisions for the manner of the offering, the Company will be entitled to allocate to all of the applicants who submitted applications at the uniform selling price or at a price that is higher than that, an additional amount at an aggregate scope that will not exceed 15% of the amount that was offered in the Shelf Offering Report. The Company decided to allocate an additional 550 units [which include an amount of 5,500,000 Ordinary shares, 2,750,000 warrants (series 10) and 2,750,000 warrants (series 11)] to the entire public.



## 5. Taxation implications

With respect to the taxation of the income from the securities offered pursuant to Shelf Offering Report, see paragraph 2.19 to the Shelf Prospectus.

**As is customary at the time there is a decision for a cash investment, it is necessary to consider the taxation implications that are related to the investment in securities offered to this Shelf Offering Report. What is stated in this prospectus regarding the taxation of securities that are offered pursuant thereto, does not claim to constitute an authoritative interpretation of the provisions of the law mentioned in the prospectus, and does not come in place of professional consultation, in accordance with the special data and the unique circumstances of each investor. Further, what is stated in the prospectus reflects the provisions of the law as they are at the time of the prospectus, and they are liable to change in the future. It is recommended that each investor will consult with professional consultants regarding everything related to the tax considerations in carrying out the investment.**

## 6. The proceeds from the prospectus and their objective

6.1 The proceeds that the Company anticipates from this issuance will be as detailed below (assuming that all of the units offered in this report will be purchased at a minimum price per unit, and without the amount of the securities that are being offered will increase, as stated above in paragraph 4):

Immediate anticipated gross aggregate proceeds	About NIS 21,778 thousand
Future proceeds *	About NIS 27,223 thousand
Estimated ** issuance expenses (coordinating commission, distribution and consultation)	About NIS 1,655 thousand
Total immediate anticipated net proceeds	About NIS 20,125 thousand

\* To the extent that the warrants (series 10) and warrants (series 11) are exercised in their entirety.

\*\* VAT will be added to the issuance expenses by law.

6.2 No minimal amount that has to be achieved in this issuance was determined.

6.3 Until the use of the issuance proceeds, the cash from the issuance proceeds will be 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.

## 7. Commissions

7.1 Menora Mivtachim Underwriting and Management Ltd. (hereinafter: "**Menora Underwriting**") and Barak Capital Ltd. serves as the issuance's distributors (hereinafter: "**the distributors**"). The Company undertook to pay the distributors an amount of NIS 40,000.

7.2 Roth Capital Partners LLC. (hereinafter: "**Roth**") serves as consultant to the Company for the issuance in regard to introducing the Company to different US investors (hereinafter: "**Roth Investors**"). The Company undertook to pay Roth an amount equal to the higher of: (a) US\$ 50 thousand or (b) 5% of the actual amount raised from Roth Investors in which regard Roth has consulted to the Company. Meitav Issuing and Finance Ltd, which is also a consultant to the Company for the issuance in regard to introducing the Company to Roth Investors, will be entitled for a consulting fee of 2% of the actual amount raised from Roth Investors.

7.3 Ladenburg Thalmann & Co. Inc (hereinafter: "**Ladenburg** ") with which the Company had a consulting agreement which expired on January 4, 2013, is entitled for a consultancy fee of up to 7% of the actual amount raised from US investors in which regard a consultation was given to the Company (hereinafter: "**Ladenburg Investors**").

7.3

7.4 Green Forest Holding Ltd. serves as consultant to the Company for the issuance (hereinafter: "**Green Forest**") in regard to investors in the Company which are not Roth or Ladenburg Investors (hereinafter: "**the Other Investors**"). The Company undertook to pay an amount equal to 5% of the actual amount raised from the Other Investors, which will be divided according to the Company's sole discretion between the distributors and Green Forest. In addition, it was agreed between the Company and Green Forest that Green Forest will be entitled for a success fee of 2% from the actual amount raised from the Other Investors only in case in which the unit price in the issuance is higher than the minimum price per unit.

7.5 In addition, Ladenburg, Roth and Green Forest are entitled to the issuance of up to 1,800,000 warrants (series 10) which will be divided between them (based on a calculation of 2% of the total shares allocated to investors which will participate in the issuance and in which regard the consultation was given to the Company). The warrants (series 10) will be allocated to Ladenburg, Roth and Green Forest , if will be needed to be allocated, by way of a private allocation, within 10 days following the carrying out of the issuance pursuant to this Shelf Offering Report.

7.6 The issuance coordinator is entitled to issuance coordination commission in the amount of NIS 23,000, with the addition of VAT by law.

7.7 The distributor will be entitled, at its sole discretion, to pay commissions to third parties who are qualified to serve as distributors pursuant to the Securities Regulations (Underwriting), 2007, for assisting in the marketing of the securities in the issuance, and this out of its distribution commission to which it is entitled as stated above in paragraph 7.1, provided that these amounts will not be paid to the ultimate buyer of the security in the issuance.

## **8. Avoidance of making arrangements not written in the prospectus**

8.1 The Company and the directors commit with their signatures on the Shelf Offering Report to avoid carrying out arrangements that are not written in the Shelf Prospectus and in the Shelf Offering Report in regard to the offering of securities that are being offered pursuant to the Shelf Prospectus and pursuant to the Shelf Offering Report, their distribution and disseminating them to the public, and undertake to avoid granting a right to the buyers of the securities that are offered pursuant to the Shelf Prospectus and the Shelf Offering Report, to sell the shares that were purchased in excess of what was detailed in the Shelf Prospectus and the Shelf Offering Report.

8.2 The Company and the directors commit with their signatures on the Shelf Offering Report to inform the Securities Authority of every arrangement with a third party they are aware of regarding an offering of securities that are being offered pursuant to the Shelf Prospectus and pursuant to the Shelf Offering Report, their distribution and dissemination to the public that contradicts the commitment stated in 8.1.

8.3 The Company and the directors commit with their signatures on the Shelf Offering Report to avoid engaging with any third party whatsoever, in regard to the offer of securities that are being offered pursuant to the Shelf Prospectus and pursuant to the Shelf Offering Report, their distribution or dissemination to the public, which to the best of their knowledge, the arrangements were arranged contrary to what was stated in paragraph 8.1.

8.4 As of the date of the Shelf Offering Report, the Company does not have any controlling shareholders.

## **9. Tender participation**

9.1 Several US investors have informed the Company that they intend to participate in the tender at a monetary scope of approximately US\$ 2,500 thousand, which will enable to acquire, at most, about 3,100 units. To the Company's best knowledge, none of this US investors will become an interested party in the Company following his participation in the tender.

9.2 Green Forest has informed the Company on its intention to participate in the tender and acquire units in a total of up to 4,000 thousand NIS, which will enable to acquire, at most, about 1,270 units. To the Company's best knowledge, Green Forest will not become an interested party in the Company following its participation in the tender.

9.3 Menura Underwriting, which serves as distributor to the issuance, has informed the Company on its intention to participate in the tender and acquire units in a total of up to 1,000 thousand NIS, at the minimum price per unit, which will enable to acquire, at most, about 318 units. To the Company's best knowledge, Menura Underwriting will not become an interested party in the Company following its participation in the tender.

**10. Permits and approvals**

- 10.1 The Company had applied to the TASE for listing its shares, warrants (series 10) and warrants (series 11) as well as any shares deriving from the exercise of warrants (series 10) and warrants (series 11) offered pursuant to this Shelf Offering Report and the TASE granted its approval.
- 10.2 The trading of the offered shares, warrants (series 10) and warrants (series 11) will commence shortly after they are listed for trade on the TASE. The shares will be traded on the TASE together with the Company's Ordinary shares which are outstanding at the time of their listing for trade.
- 10.3 The listing for trade of the offered shares, warrants (series 10) and warrants (series 11) is subject to the TASE's guidelines and articles of association and to the provisions of applicable law.
- 10.4 **The TASE's approval for the listing for trade of the shares, warrants (series 10) and warrants (series 11) offered in the context of this Shelf Offering Report should not be viewed as confirmation of the details presented in the Shelf Offering Report, their reliability and completeness, and does not express any opinion whatsoever on the Company or on the nature of the securities offered in this Shelf Offering Report or on the offered price.**

**11. Payment of fees**

In accordance with the provisions of Regulation 4a of the Securities Regulations (Fees for Requesting a Permit for Issuing a Prospectus), 1995, the Company will pay the Securities Authority the additional fee for the securities offered in this Shelf Offering Report.

## 12. Details of material changes and developments in the Company

From the date of the issuance of the Shelf Prospectus through the date of the issuance of the Shelf Offering Report, there have been no material changes or developments that require disclosure in the prospectus, except as described in the Company's periodic report for 2011 which was issued by it on March 29, 2012 (reference: 2012-01-087516) and the information included therein is here by referred to as follows:

### 12.1 Details of the Company's issued share capital as of the date of the shelf offering report in NIS

Type of shares	Authorized share capital	Issued and paid-up share capital	Issued and paid-up share capital on a fully diluted basis <sup>3</sup>	Issued and paid-up share capital after issuance of securities based on the offering report	Issued and paid-up share capital after issuance of securities based on the offering report on a fully diluted basis <sup>4</sup>
Ordinary shares of NIS 0.01	500,000,000	273,379,902	347,023,348	342,649,902	485,563,348

### 12.2 The quoted market prices of the Company's shares

In keeping with Chapter 3 of the shelf prospectus, below are data of the highest and lowest quoted market price of the Company's shares (in 1/100 of NIS) from January 1, 2011 until near the date of the issuance of this shelf offering report (in nominal values):

	Highest price		Lowest price	
	Date	Price	Date	Price
2012	05/01/2012	49.60	24/07/2012	29.30
2013 *)	14/01/2013	43.30	08/01/2013	32.90

\*) Until January 27, 2013.

<sup>3</sup> Assuming all warrants (series 6), warrants (series 7), warrants (series 8), warrants (series 9) and all unlisted options allocated to employees, directors and others will be exercised into shares.

<sup>4</sup> Assuming all warrants (series 6), warrants (series 7), warrants (series 8), warrants (series 9), warrants (series 10), warrants (series 11) and all unlisted options allocated to employees, directors and others will be exercised into shares. If the Company makes another allocation as described in item 4 of the shelf offering report, the Company's issued and paid-up share capital will be 348,149,902 shares and 496,563,348 shares on a fully diluted basis.

### 12.3 Holding of the Company's securities

To the best of the Company's knowledge, the holdings of interested parties and the public in the Company as of the date of issuance of the shelf offering report are as follows \*:

Name	Number of shares	Warrants (series 6)	Warrants (series 7)	Warrants (series 8)	Warrants (series 9)	Warrants (series 10)	Warrants (series 11)	Number of unlisted options	Before the issuance		After the issuance	
									% of equity and voting	% of equity and voting (fully diluted) <sup>5</sup>	% of equity and voting	% of equity and voting (fully diluted) <sup>6</sup>
Ascend <sup>7</sup>	15,951,786	-	-	-	-	-	-	-	5.84	4.60	4.66	3.27
Ilan Cohn <sup>8</sup>	489,077	-	-	28,000	42,000	-	-	4,585,222	0.18	1.48	0.14	1.06
Pnina Fishman <sup>9</sup>	545,511	-	-	60,000	90,000	-	-	13,611,093	0.20	4.12	0.16	2.94
Abraham Sartani <sup>10</sup>	-	-	-	-	-	-	-	308,653	-	0.09	-	0.06
Avigdor Kaplan <sup>11</sup>	-	-	-	-	-	-	-	2,000,000	-	0.58	-	0.41
Liora Lev <sup>12</sup>	874,118	-	-	-	-	-	-	350,000	0.32	0.35	0.26	0.25
Guy Regev <sup>13</sup>	106,000	-	-	24,000	36,000	-	-	-	0.04	0.05	0.03	0.03
Haya Shaked and Tal Shaked <sup>14</sup>	30,594,910	-	-	-	-	-	-	-	11.19	8.82	8.93	6.28

Name	Number of shares	Warrants (series 6)	Warrants (series 7)	Warrants (series 8)	Warrants (series 9)	Warrants (series 10)	Warrants (series 11)	Number of unlisted options	Before the issuance		After the issuance	
									% of equity and voting	% of equity and voting (fully diluted)	% of equity and voting	% of equity and voting (fully diluted)
Ophtalix Inc. <sup>15</sup>	<sup>16</sup> 17,873,054	-	-	-	-	-	-	-	6.54	5.15	5.22	3.67
The public	206,945,446	4,953,750	9,907,500	8,000,000	12,000,000	-	-	16,312,325	75.70	74.38	60.39	52.96

<sup>5</sup> Assuming all unlisted options for employees, directors and others, as well as all warrants (series 6), warrants (series 7), warrants (series 8) and warrants (series 9) will be exercised into shares.

<sup>6</sup> Assuming all unlisted options for employees, directors and others, as well as all warrants (series 6), warrants (series 7), warrants (series 8), warrants (series 9), warrants (series 10), warrants (series 11) will be exercised into shares.

<b>Total</b>	<b>273,379,902</b>	<b>4,953,750</b>	<b>9,907,500</b>	<b>8,112,000</b>	<b>12,168,000</b>	-	-	<b>38,502,196</b>	<b>100.00</b>	<b>100.00</b>		
New investors	69,270,000	-	-	-	-	34,635,000	34,635,000	-	-	-	20.22	28.43
Issuance consultants	-	-	-	-	-	1,800,000	-	-	-	-	-	0.37
<b>Total</b>	<b>342,649,902</b>	<b>4,953,750</b>	<b>9,907,500</b>	<b>8,112,000</b>	<b>12,168,000</b>	<b>36,435,000</b>	<b>34,635,000</b>	<b>38,502,196</b>	-	-	<b>100</b>	<b>100</b>

- 12.4 On March 31, 2012, 13,226,667 warrants (series 5) of the Company which were not exercised expired.
- 12.5 On April 2, 2012, the Company announced the summoning of a special meeting of the shareholders of the Company for May 8 2012, for approval of extending the exercise period of 2,032,136 unlisted Company options (hereinafter: "**the Options**") to 5 additional years, so that the Options' exercise period will be 10 years from the date they were originally granted (until May 9 2017), similar to the exercise period according to the Company's option plan. On May 8, 2012, the special meeting of the shareholders of the Company approved extending the exercising period of the unlisted Options as aforesaid. For additional details see the Company's report from April 2 2012 (reference: 2012-01-092379) and from May 8 2012 (reference: 2012-01-120165).
- 12.6 On April 3, 2012, the Company announced the board of directors' 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, 4 of whom are officers of the Company. The options were granted on May 3 2012 after receiving the Stock Exchange's approval. For additional details, see the Company's report from April 3 2012 (reference: 2012-01-092565).
- 12.7 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. For additional details, see the Company's report from April 10 (reference: 2012-01-099321).
- 12.8 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 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. The primary endpoint that will be tested is an improvement of PGA (Physician's Global Assessment) values. For additional details, see the Company's report from April 23 2012 (reference: 2012-01-106590).
- 12.9 In April 2012, 261,875 unlisted options were exercised into 261,875 Ordinary Company shares.
- 12.10 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 (hereinafter: "**the 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 warrants (series 8) and 3,000 warrants (series 9), both warrants 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 amount raised in such issuance was received by the Company on May 2, 2012.



- 12.11 On May 1, 2012, the Company announced that according to the announcement of the Tel Aviv Stock Exchange Ltd. (hereinafter: "**the TASE**") from January 8, 2012 regarding payment on T+1 day of convertible shares and securities (hereinafter: "**the TASE's announcement**"), and in continuance to the announcement of the Securities Authority on this matter from March 19, 2012, a change in the Company's convertible securities has been effected. For details regarding this change, see the Company's report (reference: 2012-01-112530).
- 12.12 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 Law, 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 (hereinafter: "**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).
- 12.13 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 (hereinafter: "**the Chief Scientist**"), for the development budget for the development of CF102 for the treatment of liver cancer, in an amount of up to 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.

- 12.14 On May 2012 55,000 unlisted options were exercised into 55,000 Ordinary Company shares.
- 12.15 On June 10, 2012, the Company announced that it scheduled an annual meeting, which on its agenda, among others: (a) the re-appointment of Kost Forer Gabbay & Kasierer as the Company's accountants for 2012 and the authorization of the board of directors to approve their salary; (b) the reappointment of Avigdor Kaplan, Pnina Fishman, Ilan Cohn, Abraham Sartani, Liora Lev and Guy Regev to the board of directors, until the next annual meeting of the Company; (c) approval of a private issuance which is not material to directors of the Company. On July 30, 2012, the annual meeting approved all the matters on its agenda. For additional details see the Company reports from June 10, 2012 (reference: 2012-01-151620), July 30, 2012 (reference: 2012-01-197340) and August 13, 2012 (reference: 2012-01-208665). After receiving the Stock Exchange approval, the aforementioned options were allocated on August 15, 2012.
- 12.16 On July 3, 2012, the Company announced that the Company's board of directors has instructed the Company management to act in order to list the Company shares for trading in the U.S. via ADR (American Depositary Receipt), and subject to filing and receiving all the needed approval from the U.S. Securities and Exchange Commission. The Company will act in order to list a level II ADR and to list it in one of the main U.S. stock markets. In addition, the Company announced that in the coming few months, the psoriasis phase II/III interim report will be announced. The psoriasis study will include about 300 patients and is conducted in medical centers in the U.S., Europe and Israel under an FDA IND. The interim report will be announced after completing treatment in the first 100 patients. In addition, the Company announced that in the coming months it plan to publish the results of the phase IIIb of CF101 for the treatment of Rheumatoid Arthritis. This study includes patients which are enrolled to the study based on a bio-marker test developed by the Company which predicts patients' response to the treatment.
- 12.17 On July 26, 2012 the Company published a shelf prospectus for offering of up to 100,000,000 shares and up to 50,000,000 warrants (series 10-14).
- 12.18 On August 2012, 122,500 unlisted share options were exercised and 67,639 unlisted share options expired.
- 12.19 On September 9, 2012, the Company announced that the Bank of New York Mellon has filed an F-6 form to the U.S. Securities and Exchange Commission (hereinafter: "**the SEC**") in order to register Level 1 ADRs of the Company for trading in the U.S. Beginning of trading in the OTC is expected only after receiving the SEC approval for the F-6. For additional details see the Company's report from September 9 2012 (reference: 2012-01-234057).

- 12.20 On October 4, 2012, the Company announced, in continuance to its announcement regarding the F-6 filing by the Bank of New York Mellon, that it has listed and begun trading of its American Depository Receipts (ADRs) in the U.S. Each ADR will be comprised from 50 ordinary shares of the company and will be traded on the over-the-counter (OTC) market under the symbol CANFY. The Bank of New York Mellon maintains the ADR facility. The ADRs will be tradable via licensed U.S. brokers in the U.S. The trading in the OTC will enable to U.S. private and institutional investors to invest in the company securities via acquiring ADR. For additional details see the Company's report from October 4 2012 (reference: 2012-01-248355).
- 12.21 On October 9, 2012, the Company announced, following positive interim results, on the continuation of patient enrollment in its Psoriasis Phase 2/3 clinical study with CF101. The interim analysis included safety and efficacy data from the first 103 patients who completed 24 weeks of treatment in the trial with CF101 as a standalone therapy. The maximal clinical effects of the treatment, tested by the standard disease assessment parameters, were noted in the CF101-2 mg BID dose relative to placebo. Patients' response in this group accumulated steadily over the 24-week treatment period. These data corroborate with the previously Phase 2 study conducted by the company which results were published in a leading Journal. The company therefore intends to complete patient enrollment for this Psoriasis Phase 2/3 clinical study comparing CF101-2 mg BID to placebo. The study will include approximately 300 patients overall and is currently conducted in 17 U.S., European and Israeli medical centers. The first 103 patients who completed the treatment will be included in this study. For additional details see the Company's report from October 9 2012 (reference: 2012-01-249027).
- 12.22 On November 4, 2012, the Company announced, in continuance to its announcement from October 4 2012 regarding the beginning of trading of its ADR Level I in the U.S., that in addition to the possibility to convert its shares registered in Israel into ADR and trade the ADR via brokers, its market makers acted in order to receive an approval from the U.S. authorities for a public quote of the ADR price on the OTC site, and such quote was initiated on November 1 2012. For additional details see the Company's report from November 4 2012 (reference: 2012-01-270357).
- 12.23 On November 13, 2012, the Company announced that it has filed a patent application for the treatment of sexual dysfunction utilizing the company drugs, and is planning to develop its pipeline drug CF602, licensed from the Leiden University, for this indication. During clinical studies conducted with other drugs of the company, patients suffering from sexual dysfunction reported that they returned to normal function following the treatment with the company drugs. These findings are correlated with the company's platform technology, which is targeting the A3 adenosine receptor as a therapeutic target. CF602 is a novel A3 adenosine receptor allosteric modulator enhancing the affinity of the natural ligand adenosine to its A3 adenosine receptor. For additional details see the Company's report from November 13, 2012 (reference: 2012-01-278493).
- 12.24 On December 9, 2012, the Company announced that it has submitted a settlement or arrangement request according to Section 350 of the Companies Law, 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 September 1, 2013 (hereinafter: "the Request" or "the Arrangement"). The Company's series 6 options are about to expire on December 31 2012, therefore the Company request as an interim relief that until the approval of the Arrangement, to extend the last day for exercising the series 6 options until February 28, 2013. On the same date, the Company reported the court's decision to schedule the hearing date for December 12, 2013. On December 11, 2012 the Company reported the court's decision to exempt the Securities Authority, according to its request, from attending the hearing. On December 12, 2012 the Company reported that the court approved summoning the requested meetings and gave an interim relief according to which the exercise period of series 6 options will be extended to February 28, 2013. For additional details see the Company's reports (reference: 2012-01-305268, 2012-01-305316, 2012-01-307713, 2012-01-308340, respectively). On December 17, 2012, the Company announced the summoning of the shareholders and series 6 options holders general meeting on January 10, 2013 (reference: 2012-01-312483). On January 10, 2013, the meeting of the shareholders and the meeting of the holders of series 6 options approved to extend the exercise period of the series 6 options until September 1, 2013. For details in regard to the change see the Company reports (reference: 2013-01-011130 and 2013-01011133, respectively). On January 13, 2013 the Company announced that it has submitted a request for the approval of the Arrangement following its approval in the required majority in the shareholders and the series 6 options meetings (reference: 2013-01-012312). On January 27, 2013, the District Court approved the aforesaid request (reference: 2013-01-022959).

12.25 On December 13, 2012 the Company announced that the subsidiary (82%) OphthaliX Inc. (OTCBB: OPLI), which leads the ophthalmic drug development activity in the group, has appointed Dr. Gil Ben-Menachem as its Chief Executive Officer. For additional details about Dr. Ben-Menachem see the Company's report (reference: 2012-01-309390).

12.26 On December 30, 2012 the Company announced in continuance to its reports from April 23, 2012 and October 9, 2012, that in additional analysis performed for the Company of the positive interim results of the phase 2/3 study of CF101 for the treatment of Psoriasis, impressive quantitative results were presented demonstrating the drug efficacy in the two main parameters tested, the PGA and PASI. It was found that CF101 clinical effect, given as a standalone therapy, accumulated steadily over the 24-week treatment period and is in-line with other small molecules currently in advanced clinical development stages (Celgene, Pfizer). For additional details see the Company's report (reference: 2012-01-324045).

12.27 On January 16, 2013 the Company announced in continuance to its reports from January 3, 2012 and May 21, 2012, that upon completing the analysis of the successful phase 1/2 CF102 study for the treatment of liver cancer, the company has determined the optimal drug dose for the next clinical development stages. The CF101 25mg dose was found as the most effective one out of the 3 dosages tested (1 mg, 5 mg, 25 mg). All dosages were found to have an optimal safety profile. The results of the phase 1/2 study indicated a median overall survival of 7.8 months and one patient is being treated with CF102 for over 3 years now. Another finding was that the drug target can also be utilized as a biomarker to predict patients' response to the drug (reference: 2013-01-014853).

12.28 On January 29, 2013 the Company announced its upcoming milestones for 2013. In its announcement the Company reported its plans to continue the advance clinical development of its leading drugs, CF101 and CF102. For additional details see the Company's immediate report (reference: 2013-01-024297).

13. **The Company has received the following legal opinion**

February 4, 2013

**KANTOR & CO.**

**Law Firm**

12 Abba Hillel Silver Rd.  
Ramat-Gan 52506 Israel  
Tel: 03-6133371  
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mail@kantor-law.com

To  
Can-Fite Biopharma Ltd.  
10 Bareket Street  
Kiryat Matalon  
Petach-Tikva 49517 Israel

Dear Sirs/Mmes.,

Re: **Can-Fite Biopharma Ltd. ("the Company") - shelf offering report of February 4, 2013 ("Shelf Offering Report") for the offering to the public of shares, warrants (series 10) and warrants (series 11) of the Company ("the Offered Securities")**

With respect to the Company's shelf prospectus of July 27, 2012 and to the Shelf Offering Report in the subject which was issued by virtue thereof (hereinafter collectively: "**the Prospectus**"), and at your request, we hereby approve the following:

- a. The rights attached to the Offered Securities have been accurately described in the Prospectus.
- b. The Company's directors have been legally appointed and their names are included in the Prospectus.
- c. It is our opinion that the Company is qualified to issue the Offered Securities in the manner described in the Prospectus.

We concur that this opinion will be included in the Shelf Offering Report.

Yours truly,

Ronen Kantor, Adv.

Kantor & Co. Law Firm

Efrat Hamami, Adv.

**Signatures**

**The Company**

Can-Fite Biopharma Ltd.

\_\_\_\_\_

**The Directors**

Avigdor Kaplan

\_\_\_\_\_

Prof. Pnina Fishman

\_\_\_\_\_

Dr. Ilan Cohn

\_\_\_\_\_

Abraham Sartani

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Liora Lev

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Gil Oren

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Yehezkel Berenholtz

\_\_\_\_\_

Guy Regev

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