As filed with the Securities and Exchange Commission on February 15, 2019.

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM F-1

CAN-FITE BIOPHARMA LTD.
(Exact name of registrant as specified in its charter)

State of Israel	2834	Not Applicable
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

10 Bareket Street
Kiryat Matalon, P.O. Box 7537
Petach-Tikva 4951778, Israel
(972) (3)924-1114
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Puglisi & Associates
850 Library Avenue
Newark, Delaware 19711
(302) 738-6680
(Name, Address, including zip code, and telephone number, including area code, of agent for service)

Copies of all correspondence to:

Gary Emmanuel, Esq.
McDermott Will & Emery LLP
340 Madison Ave.
New York, NY 10173
Tel: (212) 547 5400

Ronen Kantor, Adv.
Doron Tikotzky Kantor Gutman & Amit Gross
B.S.R. 4 Tower, 33rd Floor
7 Metsada Street
Bnei Brak 5126112 Israel
Tel: +972-3-613-3371

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act.

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

† The term "new or revised financial accounting standard" refers to any updated issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered (1)	Amount to be Registered (2)	Proposed Maximum Offering Price per Security (3)	Proposed Maximum Aggregate Offering Price (3)	Amount of Registration Fee
Ordinary shares, par value NIS 0.25 per share, underlying Warrants to Purchase American Depositary Shares (4)	4,700,002 Ordinary Shares	$ 0.575	$2,702,501.15	$ 327.54
Total	4,700,002 Ordinary Shares	$ 0.575	$2,702,501.15	$ 327.54

(1) American Depositary Shares, or ADSs, issuable upon deposit of the ordinary shares registered hereby have been registered pursuant to a separate registration statement on Form F-6 (File No. 333-183741). Each American Depositary Share represents two (2) ordinary shares.

(2) This registration statement also includes an indeterminate number of shares underlying the ADSs that may become offered, issuable or sold to prevent dilution resulting from stock splits, stock dividends and similar transactions, which are included pursuant to Rule 416 under the Securities Act of 1933, as amended.

(3) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) promulgated under the Securities Act of 1933, as amended, based on the average of the equivalent high and low sales prices of the ADSs on the NYSE American on February 13, 2019, divided by 2 (to give effect to the 1:2 ratio of ADSs to ordinary shares).

(4) Consists of (i) 4,476,192 ordinary shares represented by 2,238,096 ADSs issuable upon the exercise of warrants originally issued in a private placement on January 2019, and (ii) 223,810 ordinary shares represented by 111,905 ADSs issuable upon the exercise of placement agent warrants issued in connection with the private placement.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 15, 2019

4,700,002 Ordinary Shares represented by 2,350,001 American Depositary Shares

This prospectus relates to the resale, by the selling shareholders identified in this prospectus, of up to an aggregate of up to 4,700,002 ordinary shares, par value NIS 0.25 per share of Can-Fite Biopharma Ltd., represented by 2,350,001 American Depository Shares, or ADSs, consisting of (i) 4,476,192 ordinary shares represented by 2,238,096 ADSs issuable upon the exercise of warrants originally issued in a private placement on January 2019, and (ii) 223,810 ordinary shares represented by 111,905 ADSs issuable upon the exercise of placement agent warrants issued in connection with the private placement. The warrants were originally issued in a private placement in January 2019. The selling shareholders are identified in the table commencing on page 113. Each ADS represents 2 ordinary shares. No ADSs are being registered hereunder for sale by us. We will not receive any proceeds from the sale of the ADSs by the selling shareholders. All net proceeds from the sale of the ordinary shares represented by ADSs covered by this prospectus will go to the selling shareholders. However, we may receive the proceeds from any exercise of warrants if the holders do not exercise the warrants on a cashless basis. See “Use of Proceeds.”

The selling shareholders may sell all or a portion of the ordinary shares represented by ADSs from time to time in market transactions through any market on which our ADSs are then traded, in negotiated transactions or otherwise, and at prices and on terms that will be determined by the then prevailing market price or at negotiated prices directly or through a broker or brokers, who may act as agent or as principal or by a combination of such methods of sale. See “Plan of Distribution”.

Our ADSs are listed on the NYSE American under the symbol “CANF.” On February 13, 2019, the closing price of our ADSs on the NYSE American was US$1.16 per ADS. Our ordinary shares also trade on the Tel Aviv Stock Exchange, or TASE, under the symbol “CFBI”. On February 13, 2019, the last reported sale price of our ordinary shares on the TASE was NIS 2.175 or $0.60 per share (based on the exchange rate reported by the Bank of Israel on the same day).

The securities offered in this prospectus involve a high degree of risk. See “Risk Factors” beginning on page 5 of this prospectus to read about factors you should consider before purchasing any of our securities.

Neither the U.S. Securities and Exchange Commission, the Israel Securities Authority nor any state or other foreign securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is February , 2019

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC. As permitted by the rules and regulations of the SEC, the registration statement filed by us includes additional information not contained in this prospectus. You may read the registration statement and the other reports we file with the SEC at the SEC's website or its offices described below under the heading "Where You Can Find More Information".

You should rely only on the information that is contained in this prospectus or that is incorporated by reference into this prospectus. We have not authorized anyone to provide you with information that is in addition to or different from that contained in, or incorporated by reference into, this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not offering to sell or solicit any security other than the ordinary shares represented by ADSs offered by this prospectus. In addition, we are not offering to sell or solicit any securities to or from any person in any jurisdiction where it is unlawful to make this offer to or solicit an offer from a person in that jurisdiction. The information contained in this prospectus is accurate as of the date on the front of this prospectus only, regardless of the time of delivery of this prospectus or of any sale of our ordinary shares. Our business, financial condition, results of operations and prospects may have changed since that date.

Market data and certain industry data and forecasts used throughout this prospectus were obtained from sources we believe to be reliable, including market research databases, publicly available information, reports of governmental agencies and industry publications and surveys. We have relied on certain data from third-party sources, including internal surveys, industry forecasts and market research, which we believe to be reliable based on our management's knowledge of the industry. Forecasts are particularly likely to be inaccurate, especially over long periods of time. In addition, we do not necessarily know what assumptions regarding general economic growth were used in preparing the third-party forecasts we cite. Statements as to our market position are based on the most currently available data. While we are not aware of any misstatements regarding the industry data presented in this prospectus, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" in this prospectus. Our financial statements are prepared and presented in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. Our historical results do not necessarily indicate our expected results for any future periods.

Certain figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them

In this prospectus, unless the context otherwise requires:

- references to "ADSs" refer to the Registrant's American Depositary Shares;
- references to "A3AR" refer to the A3 adenosine receptor;
- references to the "Company," "we," "our" and "Can-Fite" refer to Can-Fite BioPharma Ltd. (the "Registrant") and its consolidated subsidiaries;
- references to the "Companies Law" or "Israeli Companies Law" are to Israel's Companies Law, 5759-1999, as amended;
- references to "dollars," "U.S. dollars" and "$" are to United States Dollars;
- references to "HCC" refer to hepatocellular carcinoma, also known as primary liver cancer;
- references to "NASH" refer to non-alcoholic steatohepatitis;
- references to "ordinary shares," "our shares" and similar expressions refer to the Registrant's Ordinary Shares, NIS 0.25 nominal (par) value per share;
- references to "PBMC" refer to peripheral blood mononuclear cells;
- references to "RA" refer to rheumatoid arthritis;
- references to "shekels" and "NIS" are to New Israeli Shekels, the Israeli currency; and
- references to the "SEC" are to the United States Securities and Exchange Commission.

We effected a 1-for-25 reverse share split with respect to our ordinary shares, options and warrants on May 12, 2013. Unless indicated otherwise by the context, all ordinary share, option, warrant and per share amounts as well as stock prices appearing in this prospectus have been adjusted to give retroactive effect to the share split for all periods presented.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus that we consider important. This summary does not contain all of the information you should consider before investing in our securities. You should read this summary together with the entire prospectus including the risks related to our business, our industry, investing in our ordinary shares and our location in Israel, that we describe under "Risk Factors" and our consolidated financial statements and the related notes before making an investment in our securities.

Overview

We are a clinical-stage biopharmaceutical company focused on developing orally bioavailable small molecule therapeutic products for the treatment of cancer, liver and inflammatory disease and sexual dysfunction. Our platform technology utilizes the Gi protein associated A3AR as a therapeutic target. A3AR is highly expressed in inflammatory and cancer cells, and not significantly expressed in normal cells, suggesting that the receptor could be a unique target for pharmacological intervention. Our pipeline of drug candidates are synthetic, highly specific agonists and allosteric modulators, or ligands or molecules that initiate molecular events when binding with target proteins, targeting the A3AR.

Our product pipeline is based on the research of Dr. Pnina Fishman, who investigated a clinical observation that tumor metastasis can be found in most body tissues, but are rarely found in muscle tissue, which constitutes approximately 60% of human body weight. Dr. Fishman's research revealed that one reason that striated muscle tissue is resistant to tumor metastasis is that muscle cells release small molecules which bind with high selectivity to the A3AR. As part of her research, Dr. Fishman also discovered that A3ARs have significant expression in tumor and inflammatory cells, whereas normal cells have low or no expression of this receptor. The A3AR agonists and allosteric modulators, currently our pipeline of drug candidates, bind with high selectivity and affinity to the A3ARs and upon binding to the receptor initiate down-stream signal transduction pathways resulting in apoptosis, or programmed cell death, of tumors and inflammatory cells and to the inhibition of inflammatory cytokines. Cytokines are proteins produced by cells that interact with cells of the immune system in order to regulate the body's response to disease and infection. Overproduction or inappropriate production of certain cytokines by the body can result in disease.

Our product candidates, CF101, CF102 and CF602, are being developed to treat autoimmune inflammatory indications, oncology and liver diseases as well as sexual dysfunction. CF101, also known as Piclidenoson, is in an advance stage of clinical development for the treatment of autoimmune-inflammatory diseases, including rheumatoid arthritis and psoriasis. CF102, also known as Namodenoson, is being developed for the treatment of HCC and has orphan drug designation for the treatment of HCC in the United States and Europe. Namodenoson was granted Fast Track designation by the FDA as a second line treatment to improve survival for patients with advanced HCC who have previously received Nexavar (sorafenib). Namodenoson is also being developed for the treatment of NASH, following our study which revealed compelling pre-clinical data on Namodenoson in the treatment of NASH, a disease for which no FDA approved therapies currently exist. CF602 is our second generation allosteric drug candidate for the treatment of sexual dysfunction, which has shown efficacy in the treatment of erectile dysfunction in preclinical studies and we are investigating additional compounds, targeting A3AR, for the treatment of sexual dysfunction. Preclinical studies revealed that our drug candidates have potential to treat additional inflammatory diseases, such as Crohn's disease, oncological diseases and viral diseases, such as the JC virus, and obesity.

We believe our pipeline of drug candidates represent a significant market opportunity. For instance, according to Visiongain, the world rheumatoid arthritis market size is predicted to generate revenues of $34.6 billion in 2020 and the psoriasis drug market is forecasted to be worth $11.4 billion by 2020. According to Datamonitor, the HCC drug market is expected to reach $1.4 billion by 2019.

We have in-licensed an allosteric modulator of the A3AR, CF602 from Leiden University. In addition, we have out-licensed the following:

- Piclidenoson for the treatment of (i) rheumatoid arthritis to Kwang Dong Pharmaceutical Co. Ltd., for Korea, (ii) psoriasis and rheumatoid arthritis to Cipher Pharmaceuticals for Canada, (iii) rheumatoid arthritis and psoriasis to Gebro Holding, for Spain, Switzerland and Austria, and (iv) rheumatoid arthritis and psoriasis to CMS Medical for China (including Hong Kong, Macao and Taiwan); and

- Namodenoson for the treatment of (i) liver cancer to Chong Kun Dang Pharmaceuticals for South Korea, and (ii) advanced liver cancer and NAFLD/NASH to CMS Medical for China (including Hong Kong, Macao and Taiwan).

January 2019 Financing

On January 18, 2019, we sold to a single institutional investor an aggregate 2,238,096 ADSs in a registered direct offering at $1.05 per ADS, resulting in gross proceeds of $2,350,000. In addition, we issued to the investor unregistered warrants to purchase 2,238,096 ADSs in a private placement. The warrants are immediately exercisable from the date of issuance for a period of five and a half years and have an exercise price of $1.30 per ADS, subject to adjustment as set forth therein. The warrants may be exercised on a cashless basis if six months after issuance there is no effective registration statement registering the ADSs underlying the warrants. We paid an aggregate of $191,000 in placement agent fees and expenses and issued unregistered placement agent warrants to purchase 111,905 ADS on the same terms as the warrants except they have a term of five years.

The selling shareholders named in this prospectus may offer and sell up to an aggregate of 4,700,002 ordinary shares represented by 2,350,001 ADSs issuable upon exercise of these warrants.

Throughout this prospectus, when we refer to our ordinary shares being registered on behalf of the selling shareholders, we are referring to the ordinary shares represented by ADSs that may be issuable upon exercise of warrants and placement agent warrants. Throughout this prospectus, when we refer to the selling shareholders, we are referring to the selling shareholders named herein and, as applicable, any donees, pledgees, transferees or other successors-in-interest selling shares received after the date of this prospectus from a selling shareholder as a gift, pledge, or other non-sale related transfer that may be identified in a supplement to this prospectus or, if required, a post-effective amendment to the registration statement of which this prospectus is a part.

The Offering

ADSs Offered	Up to an aggregate of 4,700,002 ordinary shares, par value NIS 0.25 per share of Can-Fite Biopharma Ltd., represented by 2,350,001 ADSs, consisting of (i) 4,476,192 ordinary shares represented by 2,238,096 ADSs issuable upon the exercise of warrants originally issued in a private placement on January 2019, and (ii) 223,810 ordinary shares represented by 111,905 ADSs issuable upon the exercise of placement agent warrants issued in connection with the private placement. The selling shareholders are identified in the table commencing on page 113. Each ADS represents 2 ordinary shares. The warrants are immediately exercisable from the date of issuance for a period of five and a half years from issuance (in the case of the investor warrants) and for a period of five years from issuance (in the case of the placement agent warrants) and have an exercise price of $1.30 per ADS, subject to adjustment as set forth therein. The warrants may be exercised on a cashless basis if six months after issuance there is no effective registration statement registering the ADSs underlying the warrants.
Ordinary Shares Outstanding at February 13, 2019	44,875,482 ordinary shares.
Use of Proceeds	We will not receive any proceeds from the sale of the ordinary shares represented by ADSs by the selling shareholders. All net proceeds from the sale of the ordinary shares represented by ADSs covered by this prospectus will go to the selling shareholders. However, we may receive the proceeds from any exercise of warrants and placement agent warrants if the holders do not exercise the warrants on a cashless basis. See "Use of Proceeds." Any net proceeds we receive from the selling shareholders through the exercise of warrants and placement.
NYSE American Symbol for ADS	CANF
Risk Factors	Before investing in our securities, you should carefully read and consider the "Risk Factors" beginning on page 5 of this prospectus.
Depositary	Bank of New York Mellon.

Unless otherwise indicated, the number of ordinary shares outstanding excludes, as of February 13, 2019:

- 1,777,401 ordinary shares issuable upon the exercise of stock options outstanding at a weighted-average exercise price of $1.126 per ordinary share;
- 13,335,004 ordinary shares represented by 6,667,502 ADSs issuable upon the exercise of warrants outstanding at a weighted-average exercise price of $3.213 per ADS;
- 875,000 additional ordinary shares available for future issuance under our 2013 Share Option Plan;
- 4,476,192 ordinary shares represented by 2,238,096 ADSs issuable upon exercise of unregistered warrants at an exercise price of $1.30 per ADS;
- 223,810 ordinary shares issuable upon the exercise of warrants to purchase 111,905 ADSs at an exercise price of $1.30 per ADS; and
- 400,000 ordinary shares issuable upon the exercise of 400,000 options, subject to shareholder approval.

Unless otherwise indicated, all information in this prospectus supplement assumes no exercise of the outstanding options or warrants described above.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus contains forward-looking statements, about our expectations, beliefs or intentions regarding, among other things, our product development efforts, business, financial condition, results of operations, strategies or prospects. In addition, from time to time, we or our representatives have made or may make forward-looking statements, orally or in writing. Forward-looking statements can be identified by the use of forward-looking words such as "believe," "expect," "intend," "plan," "may," "should" or "anticipate" or their negatives or other variations of these words or other comparable words or by the fact that these statements do not relate strictly to historical or current matters. These forward-looking statements may be included in, but are not limited to, various filings made by us with the U.S. Securities and Exchange Commission, or the SEC, press releases or oral statements made by or with the approval of one of our authorized executive officers. Forward-looking statements relate to anticipated or expected events, activities, trends or results as of the date they are made. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements, including, but not limited to, the factors summarized below.

This prospectus identifies important factors which could cause our actual results to differ materially from those indicated by the forward-looking statements, particularly those set forth under the heading "Risk Factors." The risk factors included in this prospectus are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Factors that could cause our actual results to differ materially from those expressed or implied in such forward-looking statements include, but are not limited to:

- our history of losses and needs for additional capital to fund our operations and our inability to obtain additional capital on acceptable terms, or at all;
- uncertainties of cash flows and inability to meet working capital needs;
- the initiation, timing, progress and results of our preclinical studies, clinical trials and other product candidate development efforts;
- our ability to advance our product candidates into clinical trials or to successfully complete our preclinical studies or clinical trials;
- our receipt of regulatory approvals for our product candidates, and the timing of other regulatory filings and approvals;
- the clinical development, commercialization and market acceptance of our product candidates;
- our ability to establish and maintain strategic partnerships and other corporate collaborations;
- the implementation of our business model and strategic plans for our business and product candidates;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and our ability to operate our business without infringing the intellectual property rights of others;
- competitive companies, technologies and our industry; and
- statements as to the impact of the political and security situation in Israel on our business.

All forward-looking statements attributable to us or persons acting on our behalf speak only as of the date of this prospectus and are expressly qualified in their entirety by the cautionary statements included in this prospectus. We undertake no obligations to update or revise forward-looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events. In evaluating forward-looking statements, you should consider these risks and uncertainties.

RISK FACTORS

You should carefully consider the risks we describe below, in addition to the other information set forth elsewhere in our most recent Annual Report on Form 20-F on file with the SEC, including our consolidated financial statements and the related notes beginning on page F-1, before deciding to invest in our ordinary shares and American Depositary Shares, or ADSs. These material risks could adversely impact our results of operations, possibly causing the trading price of our ordinary shares and ADSs to decline, and you could lose all or part of your investment.

Risks Related to Our Financial Position and Capital Requirements

We have incurred operating losses since our inception and anticipate that we will continue to incur substantial operating losses for the foreseeable future.

We are a clinical stage biopharmaceutical company that develops orally bioavailable small molecule therapeutic products for the treatment of cancer, liver and inflammatory diseases and sexual dysfunction. Since our incorporation in 1994, we have been focused on research and development activities with a view to developing our product candidates, CF101, also known as Piclidenoson, CF102, also known as Namodenoson, and CF602. We have financed our operations primarily through the sale of equity securities (both in private placements and in public offerings on the TASE and NYSE American) and payments received under out-licensing agreements and have incurred losses in each year since our inception in 1994. We have historically incurred substantial net losses, including net losses of $3.1 million for the nine months ended September 30, 2018, $4.9 million in 2017, $7 million in 2016, and $5 million in 2015. As of September 30, 2018, we had an accumulated deficit of $97.1 million. We do not know whether or when we will become profitable. To date, we have not commercialized any products or generated any revenues from product sales and accordingly we do not have a revenue stream to support our cost structure. Our losses have resulted principally from costs incurred in development and discovery activities. We expect to continue to incur losses for the foreseeable future, and these losses will likely increase as we:

- initiate and manage pre-clinical development and clinical trials for our current and new product candidates;
- seek regulatory approvals for our product candidates;
- implement internal systems and infrastructures;
- seek to license additional technologies to develop;
- hire management and other personnel; and
- move towards commercialization.

If our product candidates fail in clinical trials or do not gain regulatory clearance or approval, or if our product candidates do not achieve market acceptance, we may never become profitable. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our inability to achieve and then maintain profitability would negatively affect our business, financial condition, results of operations and cash flows. Moreover, our prospects must be considered in light of the risks and uncertainties encountered by an early-stage company and in highly regulated and competitive markets, such as the biopharmaceutical market, where regulatory approval and market acceptance of our products are uncertain. There can be no assurance that our efforts will ultimately be successful or result in revenues or profits.

We will need to raise additional capital to meet our business requirements in the future, and such capital raising may be costly or difficult to obtain and will dilute current shareholders' ownership interests.

As of September 30, 2018 we had cash and cash equivalents of $5.7 million. In January 2018, we received approximately $2.2 million from Gebro Holdings GmbH, or Gebro, as upfront and milestone payments for entering into a Distribution and Supply Agreement with Gebro. In March 2018, we raised approximately $5 million in a registered direct offering and concurrent private placement. In August 2018, we received $2 million as an upfront payment for entering into a License, Collaboration and Distribution Agreement with CMS Medical Venture Investment, or CMS Medical. In January 2019 we raised approximately $2.35 million in a registered direct offering and concurrent private placement. We believe that our existing financial resources will be sufficient to meet our requirements for the next twelve months. We have expended and believe that we will continue to expend substantial resources for the foreseeable future developing our product candidates. These expenditures will include costs associated with research and development, manufacturing, conducting preclinical experiments and clinical trials and obtaining regulatory approvals, as well as commercializing any products approved for sale. Because the outcome of our planned and anticipated clinical trials is highly uncertain, we cannot reasonably estimate the actual amounts necessary to successfully complete the development and commercialization of our product candidates. In addition, other unanticipated costs may arise. As a result of these and other factors currently unknown to us, we will require additional funds, through public or private equity or debt financings or other sources, such as strategic partnerships and alliances and licensing arrangements. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans.

Our future capital requirements will depend on many factors, including the progress and results of our clinical trials, the duration and cost of discovery and preclinical development, and laboratory testing and clinical trials for our product candidates, the timing and outcome of regulatory review of our product candidates, the number and development requirements of other product candidates that we pursue, and the costs of activities, such as product marketing, sales, and distribution. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with our anticipated clinical trials.

Our future capital requirements depend on many factors, including:

- the level of research and development investment required to develop our product candidates;
- the failure to obtain regulatory approval or achieve commercial success of our product candidates, including Piclidenoson, Namodenoson and CF602;
- the results of our preclinical studies and clinical trials for our earlier stage product candidates, and any decisions to initiate clinical trials if supported by the preclinical results;
- the costs, timing and outcome of regulatory review of our product candidates that progress to clinical trials;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our issued patents and defending intellectual property-related claims;
- the cost of commercialization activities if any of our product candidates are approved for sale, including marketing, sales and distribution costs;
- the cost of manufacturing our product candidates and any products we successfully commercialize;
- the timing, receipt and amount of sales of, or royalties on, our future products, if any;
- the expenses needed to attract and retain skilled personnel;
- any product liability or other lawsuits related to our products;

- the extent to which we acquire or invest in businesses, products or technologies and other strategic relationships;
- the costs of financing unanticipated working capital requirements and responding to competitive pressures; and
- maintaining minimum shareholders' equity requirements and complying with other continue listing standards under the NYSE American Company Guide.

Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. If adequate funds are not available to us on a timely basis, we may be required to delay, limit, reduce or terminate preclinical studies, clinical trials or other research and development activities for one or more of our product candidates or delay, limit, reduce or terminate our establishment of sales and marketing capabilities or other activities that may be necessary to commercialize our product candidates.

We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our financial condition.

Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

We may seek additional capital through a combination of private and public equity offerings, debt financings, strategic partnerships and alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of existing shareholders will be diluted, and the terms may include liquidation or other preferences that adversely affect shareholder rights. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take certain actions, such as incurring debt, making capital expenditures or declaring dividends. If we raise additional funds through strategic partnerships and alliances and licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies or product candidates, or grant licenses on terms that are not favorable to us. If we are unable to raise additional funds through equity or debt financing when needed, we may be required to delay, limit, reduce or terminate our product development or commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Risks Related to Our Business and Regulatory Matters

We have not yet commercialized any products or technologies, and we may never become profitable.

We have not yet commercialized any products or technologies, and we may never be able to do so. We do not know when or if we will complete any of our product development efforts, obtain regulatory approval for any product candidates incorporating our technologies or successfully commercialize any approved products. Even if we are successful in developing products that are approved for marketing, we will not be successful unless these products gain market acceptance for appropriate indications at favorable reimbursement rates. The degree of market acceptance of these products will depend on a number of factors, including:

- the timing of regulatory approvals in the countries, and for the uses, we seek;
- the competitive environment;
- the establishment and demonstration in the medical community of the safety and clinical efficacy of our products and their potential advantages over existing therapeutic products;
- our ability to enter into distribution and other strategic agreements with pharmaceutical and biotechnology companies with strong marketing and sales capabilities;

- the adequacy and success of distribution, sales and marketing efforts; and

- the pricing and reimbursement policies of government and third-party payors, such as insurance companies, health maintenance organizations and other plan administrators.

Physicians, patients, thirty-party payors or the medical community in general may be unwilling to accept, utilize or recommend, and in the case of third-party payors, cover any of our products or products incorporating our technologies. As a result, we are unable to predict the extent of future losses or the time required to achieve profitability, if at all. Even if we successfully develop one or more products that incorporate our technologies, we may not become profitable.

Our product candidates are at various stages of clinical and preclinical development and may never be commercialized.

Our product candidates are at various stages of clinical development and may never be commercialized. The progress and results of any future pre-clinical testing or future clinical trials are uncertain, and the failure of our product candidates to receive regulatory approvals will have a material adverse effect on our business, operating results and financial condition to the extent we are unable to commercialize any products. None of our product candidates has received regulatory approval for commercial sale. In addition, we face the risks of failure inherent in developing therapeutic products. Our product candidates are not expected to be commercially available for several years, if at all.

In addition, our product candidates must satisfy rigorous standards of safety and efficacy before they can be approved by the U.S. Food and Drug Administration, or the FDA, the European Medicines Agency, or the EMA, and foreign regulatory authorities for commercial use. The FDA, the EMA and foreign regulatory authorities have full discretion over this approval process. We will need to conduct significant additional research, involving testing in animals and in humans, before we can file applications for product approval. Typically, in the pharmaceutical industry, there is a high rate of attrition for product candidates in pre-clinical testing and clinical trials. Also, satisfying regulatory requirements typically takes many years, is dependent upon the type, complexity and novelty of the product and requires the expenditure of substantial resources. In addition, delays or rejections may be encountered based upon additional government regulation, including any changes in FDA policy, during the process of product development, clinical trials and regulatory reviews.

In order to receive FDA approval or approval from foreign regulatory authorities to market a product candidate or to distribute our products, we must demonstrate thorough pre-clinical testing and thorough human clinical trials that the product candidate is safe and effective for its intended uses (*e.g.*, treatment of a specific condition in a specific way subject to contradictions and other limitations). Even if we comply with all FDA requests, the FDA may ultimately reject one or more of our New Drug Applications, or NDA, or grant approval for a narrowly intended use that is not commercially feasible. We might not obtain regulatory approval for our drug candidates in a timely manner, if at all. Failure to obtain FDA approval of any of our drug candidates in a timely manner or at all will severely undermine our business by reducing the number of salable products and, therefore, corresponding product revenues.

Results of earlier clinical trials may not be predictive of the results of later-stage clinical trials.

The results of preclinical studies and early clinical trials of product candidates may not be predictive of the results of later-stage clinical trials. Also, interim results, if at all, during a clinical trial do not necessarily predict final results. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy results despite having progressed through preclinical studies and initial clinical trials. For example, in December 2013, our former subsidiary OphthaliX Inc. (since renamed Wize Pharma, Inc.), or OphthaliX, announced top-line results of a Phase III study with Piclidenoson for dry-eye syndrome in which Piclidenoson did not meet the primary efficacy endpoint of complete clearing of corneal staining, nor the secondary efficacy endpoints and in July 2016, OphthaliX released top-line results from its Phase II clinical trial of Piclidenoson for the treatment of glaucoma in which no statistically significant differences were found between the Piclidenoson treated group and the placebo group in the primary endpoint of lowering intraocular pressure, or IOP. In addition, two Phase IIb studies in rheumatoid arthritis, or rheumatoid arthritis, utilizing Piclidenoson in combination with methotrexate, a generic drug commonly used for treating rheumatoid arthritis patients, or MTX, failed to reach their primary endpoints. Furthermore, a Phase II/III study of Piclidenoson for psoriasis did not meet its primary endpoint although positive data from further analysis of the Phase II/III study suggests Piclidenoson as a potential systemic therapy for patients with moderate-severe psoriasis.

Many companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials due to adverse safety profiles or lack of efficacy, notwithstanding promising results in earlier studies. Any delay in, or termination or suspension of, our clinical trials will delay the requisite filings with the FDA, the EMA or other foreign regulatory authorities and, ultimately, our ability to commercialize our product candidates and generate product revenues. If the clinical trials do not support our product claims, the completion of development of such product candidates may be significantly delayed or abandoned, which will significantly impair our ability to generate product revenues and will materially adversely affect our results of operations.

This drug candidate development risk is heightened by any changes in the planned clinical trials compared to the completed clinical trials. As product candidates are developed from preclinical through early to late stage clinical trials towards approval and commercialization, it is customary that various aspects of the development program, such as manufacturing and methods of administration, are altered along the way in an effort to optimize processes and results. While these types of changes are common and are intended to optimize the product candidates for late stage clinical trials, approval and commercialization, such changes do carry the risk that they will not achieve these intended objectives.

Changes in our planned clinical trials or future clinical trials could cause our product candidates to perform differently, including causing toxicities, which could delay completion of our clinical trials, delay approval of our product candidates, and/or jeopardize our ability to commence product sales and generate revenues.

We might be unable to develop product candidates that will achieve commercial success in a timely and cost-effective manner, or ever.

Even if regulatory authorities approve our product candidates, they may not be commercially successful. Our product candidates may not be commercially successful because government agencies and other third-party payors may not cover the product or the coverage may be too limited to be commercially successful; physicians and others may not use or recommend our products, even following regulatory approval. A product approval, assuming one issues, may limit the uses for which the product may be distributed thereby adversely affecting the commercial viability of the product. Third parties may develop superior products or have proprietary rights that preclude us from marketing our products. We also expect that at least some of our product candidates will be expensive, if approved. Patient acceptance of and demand for any product candidates for which we obtain regulatory approval or license will depend largely on many factors, including but not limited to the extent, if any, of reimbursement of costs by government agencies and other third-party payors, pricing, the effectiveness of our marketing and distribution efforts, the safety and effectiveness of alternative products, and the prevalence and severity of side effects associated with our products. If physicians, government agencies and other third-party payors do not accept our products, we will not be able to generate significant revenue.

Our current pipeline is based on our platform technology utilizing the Gi protein associated A3AR, as a potent therapeutic target and currently includes three molecules, Piclidenoson, Namodenoson and CF602 product candidates, of which Piclidenoson is the most advanced. Failure to develop these molecules will have a material adverse effect on us.

Our current pipeline is based on a platform technology where we target the A3AR with highly selective ligands, or small signal triggering molecules that bind to specific cell surface receptors, such as the A3AR, including Piclidenoson, Namodenoson and CF602. A3ARs are structures found in cell surfaces that record and transfer messages from small molecules or ligands, such as Piclidenoson, Namodenoson and CF602 to the rest of the cell. Piclidenoson is the most advanced of our drug candidates. As such, we are currently dependent on only three molecules for our potential commercial success, and any safety or efficacy concerns related to such molecules would have a significant impact on our business. Failure to develop our drug candidates, in whole or in part, will have a material adverse effect on us.

Clinical trials are very expensive, time-consuming and difficult to design and implement, and, as a result, we may suffer delays or suspensions in future trials which would have a material adverse effect on our ability to generate revenues.

Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. Regulatory authorities, such as the FDA, may preclude clinical trials from proceeding. Additionally, the clinical trial process is time-consuming, failure can occur at any stage of the trials, and we may encounter problems that cause us to abandon or repeat clinical trials. The commencement and completion of clinical trials may be delayed by several factors, including:

- unforeseen safety issues;
- determination of dosing issues;
- lack of effectiveness or efficacy during clinical trials;
- failure of third party suppliers to perform final manufacturing steps for the drug substance;
- slower than expected rates of patient recruitment and enrollment;
- lack of healthy volunteers and patients to conduct trials;
- inability to monitor patients adequately during or after treatment;
- failure of third party contract research organizations to properly implement or monitor the clinical trial protocols;
- failure of institutional review boards to approve our clinical trial protocols;
- inability or unwillingness of medical investigators and institutional review boards to follow our clinical trial protocols; and
- lack of sufficient funding to finance the clinical trials.

We have experienced the risks involved with conducting clinical trials, including but not limited to, increased expense and delay and failure to meet end points of the trial. For example, in December 2013, OphthaliX, announced top-line results of a Phase III study with CF101 for dry-eye syndrome in which Piclidenoson did not meet the primary efficacy endpoint of complete clearing of corneal staining, nor the secondary efficacy endpoints and in July 2016, OphthaliX released top-line results from its Phase II clinical trial of Piclidenoson for the treatment of glaucoma in which no statistically significant differences were found between the Piclidenoson treated group and the placebo group in the primary endpoint of lowering IOP. In addition, two Phase IIb studies in rheumatoid arthritis, utilizing Piclidenoson in combination with MTX failed to reach their primary end points. Furthermore, a Phase II/III study of Piclidenoson for psoriasis did not meet its primary endpoint although positive data from further analysis of the Phase II/III study suggests Piclidenoson as a potential systemic therapy for patients with moderate-severe psoriasis.

In addition, we or regulatory authorities may suspend our clinical trials at any time if it appears that we are exposing participants to unacceptable health risks or if the regulatory authorities find deficiencies in our regulatory submissions or the conduct of these trials. Any suspension of clinical trials will delay possible regulatory approval, if any, and adversely impact our ability to develop products and generate revenue.

If we acquire or license additional technology or product candidates, we may incur a number of costs, may have integration difficulties and may experience other risks that could harm our business and results of operations.

We may acquire and license additional product candidates and technologies. Any product candidate or technology we license from others or acquire will likely require additional development efforts prior to commercial sale, including extensive pre-clinical or clinical testing, or both, and approval by the FDA and applicable foreign regulatory authorities, if any. All product candidates are prone to risks of failure inherent in pharmaceutical product development, including the possibility that the product candidate or product developed based on licensed technology will not be shown to be sufficiently safe and effective for approval by regulatory authorities. In addition, we cannot assure you that any product candidate that we develop based on acquired or licensed technology that is granted regulatory approval will be manufactured or produced economically, successfully commercialized or widely accepted in the marketplace. Moreover, integrating any newly acquired product candidates could be expensive and time-consuming. If we cannot effectively manage these aspects of our business strategy, our business may not succeed.

The manufacture of our product candidates is a chemical synthesis process and if one of our materials suppliers encounters problems manufacturing our products, our business could suffer.

The FDA and foreign regulators require manufacturers to register manufacturing facilities. The FDA and foreign regulators also inspect these facilities to confirm compliance with requirements that the FDA or foreign regulators establish. We do not intend to engage in the manufacture of our products other than for pre-clinical and clinical studies, but we or our materials suppliers may face manufacturing or quality control problems causing product production and shipment delays or a situation where we or the supplier may not be able to maintain compliance with the FDA's or foreign regulators' requirements necessary to continue manufacturing our drug substance. Drug manufacturers are subject to ongoing periodic unannounced inspections by the FDA, the U.S. Drug Enforcement Agency, or DEA, and corresponding foreign regulators to ensure strict compliance with requirements and other governmental regulations and corresponding foreign standards. Any failure to comply with DEA requirements or FDA or foreign regulatory requirements could adversely affect our clinical research activities and our ability to market and develop our product candidates.

We do not currently have sales, marketing or distribution capabilities or experience, and we are unable to effectively sell, market or distribute our product candidates now and we do not expect to be able to do so in the future. The failure to enter into agreements with third parties that are capable of performing these functions would have a material adverse effect on our business and results of operations.

We do not currently have and we do not expect to develop sales, marketing and distribution capabilities. If we are unable to enter into agreements with third parties to perform these functions, we will not be able to successfully market any of our platforms or product candidates. In order to successfully market any of our platform or product candidates, we must make arrangements with third parties to perform these services.

As we do not intend to develop a marketing and sales force with technical expertise and supporting distribution capabilities, we will be unable to market any of our product candidates directly. To promote any of our potential products through third parties, we will have to locate acceptable third parties for these functions and enter into agreements with them on acceptable terms, and we may not be able to do so. Any third-party arrangements we are able to enter into may result in lower revenues than we could achieve by directly marketing and selling our potential products. In addition, to the extent that we depend on third parties for marketing and distribution, any revenues we receive will depend upon the efforts of such third parties, as well as the terms of our agreements with such third parties, which cannot be predicted in most cases at this time. As a result, we might not be able to market and sell our products in the United States or overseas, which would have a material adverse effect on us.

We will to some extent rely on third parties to implement our manufacturing and supply strategies. Failure of these third parties in any respect could have a material adverse effect on our business, results of operations and financial condition.

If our current and future manufacturing and supply strategies are unsuccessful, then we may be unable to conduct and complete any future pre-clinical or clinical trials or commercialize our product candidates in a timely manner, if at all. Completion of any potential future pre-clinical or clinical trials and commercialization of our product candidates will require access to, or development of, facilities to manufacture a sufficient supply of our product candidates. We do not have the resources, facilities or experience to manufacture our product candidates for commercial purposes on our own and do not intend to develop or acquire facilities for the manufacture of product candidates for commercial purposes in the foreseeable future. We may rely on contract manufacturers to produce sufficient quantities of our product candidates necessary for any pre-clinical or clinical testing we undertake in the future. Such contract manufacturers may be the sole source of production and they may have limited experience at manufacturing, formulating, analyzing, filling and finishing our types of product candidates.

We also intend to rely on third parties to supply the requisite materials needed for the manufacturing of our active pharmaceutical ingredients, or API. There may be a limited supply of these requisite materials. We might not be able to enter into agreements that provide us assurance of availability of such components in the future from any supplier. Our potential suppliers may not be able to adequately supply us with the components necessary to successfully conduct our pre-clinical and clinical trials or to commercialize our product candidates. If we cannot acquire an acceptable supply of the requisite materials to produce our product candidates, we will not be able to complete pre-clinical and clinical trials and will not be able to market or commercialize our product candidates.

We depend on key members of our management and key consultants and will need to add and retain additional leading experts. Failure to retain our management and consulting team and add additional leading experts could have a material adverse effect on our business, results of operations or financial condition.

We are highly dependent on our executive officers and other key management and technical personnel. Our failure to retain our Chief Executive Officer, Pnina Fishman, Ph.D., who has developed much of the technology we utilize today, or any other key management and technical personnel, could have a material adverse effect on our future operations. Our success is also dependent on our ability to attract, retain and motivate highly trained technical, and management personnel, among others, to continue the development and commercialization of our current and future products. We presently maintain a life insurance policy on our Chief Executive Officer, Pnina Fishman, Ph.D.

Our success also depends on our ability to attract, retain and motivate personnel required for the development, maintenance and expansion of our activities. There can be no assurance that we will be able to retain our existing personnel or attract additional qualified employees or consultants. The loss of key personnel or the inability to hire and retain additional qualified personnel in the future could have a material adverse effect on our business, financial condition and results of operation.

We face significant competition and continuous technological change, and developments by competitors may render our products or technologies obsolete or non-competitive. If we cannot successfully compete with new or existing products, our marketing and sales will suffer and we may not ever be profitable.

We will compete against fully integrated pharmaceutical and biotechnology companies and smaller companies that are collaborating with larger pharmaceutical companies, academic institutions, government agencies and other public and private research organizations. In addition, many of these competitors, either alone or together with their collaborative partners, operate larger research and development programs than we do, and have substantially greater financial resources than we do, as well as significantly greater experience in:

- developing drugs;
- undertaking pre-clinical testing and human clinical trials;
- obtaining FDA approval, addressing various regulatory matters and other regulatory approvals of drugs;
- formulating and manufacturing drugs; and
- launching, marketing and selling drugs.

If our competitors develop and commercialize products faster than we do, or develop and commercialize products that are superior to our product candidates, our commercial opportunities will be reduced or eliminated. The extent to which any of our product candidates achieve market acceptance will depend on competitive factors, many of which are beyond our control. Competition in the biotechnology and biopharmaceutical industry is intense and has been accentuated by the rapid pace of technology development. Our competitors include large integrated pharmaceutical companies, biotechnology companies that currently have drug and target discovery efforts, universities, and public and private research institutions. Almost all of these entities have substantially greater research and development capabilities and financial, scientific, manufacturing, marketing and sales resources than we do. These organizations also compete with us to:

- attract parties for acquisitions, joint ventures or other collaborations;
- license proprietary technology that is competitive with the technology we are developing;
- attract funding; and
- attract and hire scientific talent and other qualified personnel.

Our competitors may succeed in developing and commercializing products earlier and obtaining regulatory approvals from the FDA or foreign regulators more rapidly than we do. Our competitors may also develop products or technologies that are superior to those we are developing, and render our product candidates or technologies obsolete or non-competitive. If we cannot successfully compete with new or existing products, our marketing and sales will suffer and we may not ever be profitable.

Our competitors currently include companies with marketed products and/or an advanced research and development pipeline. The major competitors in the rheumatoid arthritis and psoriasis therapeutic field include Amgen, J&J, Pfizer, Novartis, Abbvie, Celgene, Eli Lilly, Bristol-Myers, and more. Competitors in the HCC field include companies such as Bayer, Exelixis, Merck, and Bristol-Myers. Competitors in the NASH field include companies such as Gilead, Genfit, Galmed, Allergan, Intercept, and Madrigal. Competitors in the erectile dysfunction field include Pfizer, Eli Lilly and Bayer.

Moreover, several companies have reported the commencement of research projects related to the A3AR. Such companies include CV Therapeutics Inc. (which was acquired by Gilead), King Pharmaceuticals R&D Inv. (which was acquired by Pfizer), Hoechst Marion Roussel Inc. (which was acquired by Aventis), Novo Nordisk A/S and Inotek Pharmaceuticals. However, to the best of our knowledge, there is no approved drug currently on the market which is similar to our A3AR agonists, nor are we aware of any allosteric modulator in the A3AR product pipeline similar to our allosteric modulator with respect to chemical profile and mechanism of action.

We may suffer losses from product liability claims if our product candidates cause harm to patients.

Any of our product candidates could cause adverse events. Although data from a pooled analysis of approximately 1,200 patients with inflammatory disease treated with Piclidenoson, indicates that Piclidenoson has a good safety profile and is well tolerated at doses up to 4.0 mg administered twice daily for up to 12-32 weeks, there were incidences (albeit less than or equal to 5%) of adverse events in eight completed and fully analyzed trials in inflammatory disease. Such adverse events included nausea, diarrhea, abdominal pain, vomiting, constipation, common bacterial and viral syndromes (such as tonsillitis, otitis and respiratory and urinary tract infections), abdominal pain, vomiting, myalgia, arthralgia, dizziness, headache and pruritus. We observed an even lower incidence (less than or equal to 2%) of serious adverse events, although only one type of event was reported in more than a single Piclidenoson-treated subject, which was exacerbation of chronic obstructive lung disease reported in two subjects. Notwithstanding the foregoing, the placebo group in such studies had a higher incidence of overall adverse events than the pooled Piclidenoson groups. In addition, in normal volunteers, Piclidenoson at doses 3-4-fold higher than those to be used in therapeutic trials, but not at therapeutic doses, was associated with prolongation of the electrocardiographic QT intervals. No new safety concerns have been identified and no novel or unexpected safety concerns have appeared over 32 weeks of treatment in more recent trials.

There is also a risk that certain adverse events may not be observed in clinical trials, but may nonetheless occur in the future. If any of these adverse events occur, they may render our product candidates ineffective or harmful in some patients, and our sales would suffer, materially adversely affecting our business, financial condition and results of operations.

In addition, potential adverse events caused by our product candidates could lead to product liability lawsuits. If product liability lawsuits are successfully brought against us, we may incur substantial liabilities and may be required to limit the marketing and commercialization of our product candidates. Our business exposes us to potential product liability risks, which are inherent in the testing, manufacturing, marketing and sale of pharmaceutical products. We may not be able to avoid product liability claims. Product liability insurance for the pharmaceutical and biotechnology industries is generally expensive, if available at all. If, at any time, we are unable to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims, we may be unable to clinically test, market or commercialize our product candidates. A successful product liability claim brought against us in excess of our insurance coverage, if any, may cause us to incur substantial liabilities, and, as a result, our business, liquidity and results of operations would be materially adversely affected.

Our product candidates will remain subject to ongoing regulatory requirements even if they receive marketing approval, and if we fail to comply with these requirements, we could lose these approvals, and the sales of any approved commercial products could be suspended.

Even if we receive regulatory approval to market a particular product candidate, the product will remain subject to extensive regulatory requirements, including requirements relating to manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion, distribution and recordkeeping. Even if regulatory approval of a product is granted, the approval may be subject to limitations on the uses for which the product may be marketed or the conditions of approval, or may contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product, which could negatively impact us or our collaboration partners by reducing revenues or increasing expenses, and cause the approved product candidate not to be commercially viable. In addition, as clinical experience with a drug expands after approval, typically because it is used by a greater number and more diverse group of patients after approval than during clinical trials, side effects and other problems may be observed after approval that were not seen or anticipated during pre-approval clinical trials or other studies. Any adverse effects observed after the approval and marketing of a product candidate could result in limitations on the use of or withdrawal of any approved products from the marketplace. Absence of long-term safety data may also limit the approved uses of our products, if any. If we fail to comply with the regulatory requirements of the FDA and other applicable U.S. and foreign regulatory authorities, or previously unknown problems with any approved commercial products, manufacturers or manufacturing processes are discovered, we could be subject to administrative or judicially imposed sanctions or other setbacks, including the following:

- Restrictions on the products, manufacturers or manufacturing process;
- Warning letters;
- Civil or criminal penalties, fines and injunctions;
- Product seizures or detentions;
- Import or export bans or restrictions;
- Voluntary or mandatory product recalls and related publicity requirements;
- Suspension or withdrawal of regulatory approvals;
- Total or partial suspension of production, and
- Refusal to approve pending applications for marketing approval of new products or supplements to approved applications.

If we or our collaborators are slow or unable to adapt to changes in existing regulatory requirements or adoption of new regulatory requirements or policies, marketing approval for our product candidates may be lost or cease to be achievable, resulting in decreased revenue from milestones, product sales or royalties, which would have a material adverse effect on our results of operations.

We deal with hazardous materials and must comply with environmental, health and safety laws and regulations, which can be expensive and restrict how we do business.

Our activities and those of our third-party manufacturers on our behalf involve the controlled storage, use and disposal of hazardous materials, including corrosive, explosive and flammable chemicals and other hazardous compounds. We and our manufacturers are subject to U.S. federal, state, and local, and Israeli and other foreign laws and regulations governing the use, manufacture, storage, handling and disposal of these hazardous materials. Although we believe that our safety procedures for handling and disposing of these materials comply with the standards prescribed by these laws and regulations, we cannot eliminate the risk of accidental contamination or injury from these materials. In addition, if we develop a manufacturing capacity, we may incur substantial costs to comply with environmental regulations and would be subject to the risk of accidental contamination or injury from the use of hazardous materials in our manufacturing process.

In the event of an accident, government authorities may curtail our use of these materials and interrupt our business operations. In addition, we could be liable for any civil damages that result, which may exceed our financial resources and may seriously harm our business. Although our Israeli insurance program covers certain unforeseen sudden pollutions, we do not maintain a separate insurance policy for any of the foregoing types of risks. In addition, although the general liability section of our life sciences policy covers certain unforeseen, sudden environmental issues, pollution in the United States and Canada is excluded from the policy. In the event of environmental discharge or contamination or an accident, we may be held liable for any resulting damages, and any liability could exceed our resources. In addition, we may be subject to liability and may be required to comply with new or existing environmental laws regulating pharmaceuticals or other medical products in the environment.

Our business and operations may be materially adversely affected in the event of computer system failures or security breaches.

Despite the implementation of security measures, our internal computer systems, and those of our contract research organizations, or CROs, and other third parties on which we rely, are vulnerable to damage from computer viruses, unauthorized access, cyber-attacks, natural disasters, fire, terrorism, war, and telecommunication and electrical failures. If such an event were to occur and interrupt our operations, it could result in a material disruption of our drug development programs. For example, the loss of clinical trial data from ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach results in a loss of or damage to our data or applications, loss of trade secrets or inappropriate disclosure of confidential or proprietary information, including protected health information or personal data of employees or former employees, access to our clinical data, or disruption of the manufacturing process, we could incur liability and the further development of our drug candidates could be delayed. We may also be vulnerable to cyber-attacks by hackers or other malfeasance. This type of breach of our cybersecurity may compromise our confidential information and/or our financial information and adversely affect our business or result in legal proceedings. Further, these cybersecurity breaches may inflict reputational harm upon us that may result in decreased market value and erode public trust.

We may not be able to successfully grow and expand our business. Failure to manage our growth effectively will have a material adverse effect on our business, results of operations and financial condition.

We may not be able to successfully grow and expand. Successful implementation of our business plan will require management of growth, including potentially rapid and substantial growth, which will result in an increase in the level of responsibility for management personnel and place a strain on our human and capital resources. To manage growth effectively, we will be required to continue to implement and improve our operating and financial systems and controls to expand, train and manage our employee base. Our ability to manage our operations and growth effectively requires us to continue to expend funds to enhance our operational, financial and management controls, reporting systems and procedures and to attract and retain sufficient numbers of talented personnel. If we are unable to scale up and implement improvements to our control systems in an efficient or timely manner, or if we encounter deficiencies in existing systems and controls, then we will not be able to make available the products required to successfully commercialize our technology. Failure to attract and retain sufficient numbers of talented personnel will further strain our human resources and could impede our growth or result in ineffective growth. Moreover, the management, systems and controls currently in place or to be implemented may not be adequate for such growth, and the steps taken to hire personnel and to improve such systems and controls might not be sufficient. If we are unable to manage our growth effectively, it will have a material adverse effect on our business, results of operations and financial condition.

If we are unable to obtain adequate insurance, our financial condition could be adversely affected in the event of uninsured or inadequately insured loss or damage. Our ability to effectively recruit and retain qualified officers and directors could also be adversely affected if we experience difficulty in obtaining adequate directors' and officers' liability insurance.

We may not be able to obtain insurance policies on terms affordable to us that would adequately insure our business and property against damage, loss or claims by third parties. To the extent our business or property suffers any damages, losses or claims by third parties, which are not covered or adequately covered by insurance, our financial condition may be materially adversely affected.

We may be unable to maintain sufficient insurance as a public company to cover liability claims made against our officers and directors. If we are unable to adequately insure our officers and directors, we may not be able to retain or recruit qualified officers and directors to manage us.

Risks Related to Our Intellectual Property

The termination of the National Institute of Health, or NIH, license agreement between us and NIH due to patent expiration may diminish our proprietary position.

As a result of the termination of the NIH license agreement between us and NIH in June 2015 due to patent expiration, we no longer hold rights to a family of composition of matter patents relating to Piclidenoson that were licensed from NIH. Nevertheless, because Piclidenoson may be a new chemical entity, or NCE, following approval of an NDA, we, if we are the first applicant to obtain NDA approval, may be entitled to five years of data exclusivity in the United States with respect to such NCEs. Analogous data and market exclusivity provisions, of varying duration, may be available in Europe and other foreign jurisdictions. We also have rights under our pharmaceutical use issued patents with respect to Piclidenoson and Namodenoson, which provide patent exclusivity within our field of activity until the mid- to late-2020s. While we believe that we may be able to protect our exclusivity through such use patent portfolio and such period of exclusivity, the lack of composition of matter patent protection may diminish our ability to maintain a proprietary position for our intended uses of Piclidenoson. Moreover, we cannot be certain that we will be the first applicant to obtain an FDA approval for any indication of Piclidenoson and we cannot be certain that we will be entitled to NCE exclusivity. In addition, we have discontinued the prosecution of a family of pending patent applications under joint ownership of us and NIH pertaining to the use of A3AR agonists for the treatment of uveitis. Such diminution of our proprietary position could have a material adverse effect on our business, results of operation and financial condition.

We license from Leiden University intellectual property which protects certain small molecules which target the A3AR, in furtherance of our platform technology, and we could lose our rights to this license if a dispute with Leiden University arises or if we fail to comply with the financial and other terms of the license.

We have licensed intellectual property from Leiden University pursuant to a license agreement. The license agreement imposes certain payment, reporting, confidentiality and other obligations on us. In the event that we were to breach any of the obligations and fail to cure, Leiden University would have the right to terminate the license agreement. In addition, Leiden University has the right to terminate the license agreement upon our bankruptcy, insolvency, or receivership. If any dispute arises with respect to our arrangements with Leiden University, such dispute may disrupt our operations and may have a material adverse impact on us if resolved in a manner that is unfavorable to us.

The failure to obtain or maintain patents, licensing agreements, including our current licensing agreements, and other intellectual property could impact our ability to compete effectively.

To compete effectively, we need to develop and maintain a proprietary position with regard to our own technologies, intellectual property, licensing agreements, product candidates and business. Legal standards relating to the validity and scope of claims in the biotechnology and biopharmaceutical fields are still evolving. Therefore, the degree of future protection for our proprietary rights in our core technologies and any products that might be made using these technologies is also uncertain. The risks and uncertainties that we face with respect to our patents and other proprietary rights include the following:

- while the patents we license have been issued, the pending patent applications we have filed may not result in issued patents or may take longer than we expect to result in issued patents;
- we may be subject to interference proceedings;
- we may be subject to opposition proceedings in foreign countries;
- any patents that are issued may not provide meaningful protection;
- we may not be able to develop additional proprietary technologies that are patentable;
- other companies may challenge patents licensed or issued to us or our customers;
- other companies may independently develop similar or alternative technologies, or duplicate our technologies;
- other companies may design around technologies we have licensed or developed; and
- enforcement of patents is complex, uncertain and expensive.

If patent rights covering our products and methods are not sufficiently broad, they may not provide us with any protection against competitors with similar products and technologies. Furthermore, if the United States Patent and Trademark Office, or the USPTO, or foreign patent officers issue patents to us or our licensors, others may challenge the patents or design around the patents, or the patent office or the courts may invalidate the patents. Thus, any patents we own or license from or to third parties may not provide any protection against our competitors.

We cannot be certain that patents will be issued as a result of any pending applications, and we cannot be certain that any of our issued patents will give us adequate protection from competing products. For example, issued patents, including the patents licensed by us, may be circumvented or challenged, declared invalid or unenforceable, or narrowed in scope. In addition, since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, we cannot be certain that we were the first to make our inventions or to file patent applications covering those inventions.

It is also possible that others may obtain issued patents that could prevent us from commercializing our products or require us to obtain licenses requiring the payment of significant fees or royalties in order to enable us to conduct our business. As to those patents that we have licensed, our rights depend on maintaining our obligations to the licensor under the applicable license agreement, and we may be unable to do so.

In addition to patents and patent applications, we depend upon trade secrets and proprietary know-how to protect our proprietary technology. We require our employees, consultants, advisors and collaborators to enter into confidentiality agreements that prohibit the disclosure of confidential information to any other parties. We require our employees and consultants to disclose and assign to us their ideas, developments, discoveries and inventions. These agreements may not, however, provide adequate protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure.

Costly litigation may be necessary to protect our intellectual property rights and we may be subject to claims alleging the violation of the intellectual property rights of others.

We may face significant expense and liability as a result of litigation or other proceedings relating to patents and other intellectual property rights of others. In the event that another party has also filed a patent application or been issued a patent relating to an invention or technology claimed by us in pending applications, we may be required to participate in an interference proceeding declared by the USPTO to determine priority of invention, which could result in substantial uncertainties and costs for us, even if the eventual outcome were favorable to us. We, or our licensors, also could be required to participate in interference proceedings involving issued patents and pending applications of another entity. An adverse outcome in an interference proceeding could require us to cease using the technology or to license rights from prevailing third parties.

The cost to us of any patent litigation or other proceeding relating to our licensed patents or patent applications, even if resolved in our favor, could be substantial. Our ability to enforce our patent protection could be limited by our financial resources, and may be subject to lengthy delays. If we are unable to effectively enforce our proprietary rights, or if we are found to infringe the rights of others, we may be in breach of our License Agreement.

A third party may claim that we are using inventions claimed by their patents and may go to court to stop us from engaging in our normal operations and activities, such as research, development and the sale of any future products. Such lawsuits are expensive and would consume time and other resources. There is a risk that the court will decide that we are infringing the third party's patents and will order us to stop the activities claimed by the patents, redesign our products or processes to avoid infringement or obtain licenses (which may not be available on commercially reasonable terms). In addition, there is a risk that a court will order us to pay the other party damages for having infringed their patents.

Moreover, there is no guarantee that any prevailing patent owner would offer us a license so that we could continue to engage in activities claimed by the patent, or that such a license, if made available to us, could be acquired on commercially acceptable terms. In addition, third parties may, in the future, assert other intellectual property infringement claims against us with respect to our product candidates, technologies or other matters.

We rely on confidentiality agreements that could be breached and may be difficult to enforce, which could result in third parties using our intellectual property to compete against us.

Although we believe that we take reasonable steps to protect our intellectual property, including the use of agreements relating to the non-disclosure of confidential information to third parties, as well as agreements that purport to require the disclosure and assignment to us of the rights to the ideas, developments, discoveries and inventions of our employees and consultants while we employ them, the agreements can be difficult and costly to enforce. Although we seek to obtain these types of agreements from our contractors, consultants, advisors and research collaborators, to the extent that employees and consultants utilize or independently develop intellectual property in connection with any of our projects, disputes may arise as to the intellectual property rights associated with our products. If a dispute arises, a court may determine that the right belongs to a third party. In addition, enforcement of our rights can be costly and unpredictable. We also rely on trade secrets and proprietary know-how that we seek to protect in part by confidentiality agreements with our employees, contractors, consultants, advisors or others. Despite the protective measures we employ, we still face the risk that:

- these agreements may be breached;
- these agreements may not provide adequate remedies for the applicable type of breach;
- our trade secrets or proprietary know-how will otherwise become known; or
- our competitors will independently develop similar technology or proprietary information.

International patent protection is particularly uncertain, and if we are involved in opposition proceedings in foreign countries, we may have to expend substantial sums and management resources.

Patent law outside the United States is different than in the United States. Further, the laws of some foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States, if at all. A failure to obtain sufficient intellectual property protection in any foreign country could materially and adversely affect our business, results of operations and future prospects. Moreover, we may participate in opposition proceedings to determine the validity of our foreign patents or our competitors' foreign patents, which could result in substantial costs and divert management's resources and attention.

Although most jurisdictions in which we have applied for, intend to apply for, or have been issued patents have patent protection laws similar to those of the United States, some of them do not. For example, we expect to do business in Brazil and India in the future. However, the Brazilian drug regulatory agency, ENVISA, has the authority to nullify patents on the basis of its perceived public interest and the Indian patent law does not allow patent protection for new uses of pharmaceuticals (many of our current patent applications are of such nature). Additionally, due to uncertainty in patent protection law, we have not filed applications in many countries where significant markets exist, including Indonesia, Pakistan, Russia, African countries and Taiwan.

We may be unable to protect the intellectual property rights of the third parties from whom we license certain of our intellectual property or with whom we have entered into other strategic relationships.

Certain of our intellectual property rights are currently licensed from Leiden University, and, in the future, we intend to continue to license intellectual property from Leiden University and/or other universities and/or strategic partners. Such third parties may determine not to protect the intellectual property rights that we license from them and we may be unable defend such intellectual property rights on our own or we may have to undertake costly litigation to defend the intellectual property rights of such third parties. There can be no assurances that we will continue to have proprietary rights to any of the intellectual property that we license from such third parties or otherwise have the right to use through similar strategic relationships. Any loss or limitations on use with respect to our right to use such intellectual property licensed from third parties or otherwise obtained from third parties with whom we have entered into strategic relationships could have a material adverse effect on our business, results of operations and financial condition.

Under applicable U.S. and Israeli law, we may not be able to enforce covenants not to compete and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees. In addition, employees may be entitled to seek compensation for their inventions irrespective of their agreements with us, which in turn could impact our future profitability.

We generally enter into non-competition agreements with our employees and certain key consultants, or our employment and consulting agreements contain non-competition provisions. These agreements, to the extent they are in place and in effect, prohibit our employees and certain key consultants, if they cease working for us, from competing directly with us or working for our competitors or clients for a limited period of time. We may be unable to enforce these agreements under the laws of the jurisdictions in which our employees work and it may be difficult for us to restrict our competitors from benefitting from the expertise our former employees or consultants developed while working for us. For example, Israeli courts have required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer which have been recognized by the courts, such as the secrecy of a company's confidential commercial information or the protection of its intellectual property. If we cannot demonstrate that such interests will be harmed, we may be unable to prevent our competitors from benefiting from the expertise of our former employees or consultants and our ability to remain competitive may be diminished.

In addition, Chapter 8 to the Israeli Patents Law, 5727-1967, or the Patents Law, deals with inventions made in the course of an employee's service and during his or her term of employment, whether or not the invention is patentable, or service inventions. Section 134 of the Patents Law provides that if there is no agreement that explicitly determines whether the employee is entitled to compensation for the service inventions and the extent and terms of such compensation, such determination will be made by the Compensation and Rewards Committee, a statutory committee of the Israeli Patents Office. Although our employees have agreed to assign to us service invention rights, we may face claims demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our current and/or former employees, or be forced to litigate such claims, which could negatively affect our business.

Intellectual property rights do not necessarily address all potential threats to our competitive advantage.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative:

- Others may be able to make compounds that are the same as or similar to our product candidates but that are not covered by the claims of the patents that we own or have exclusively licensed;
- We or our licensors or any future strategic partners might not have been the first to make the inventions covered by the issued patent or pending patent application that we own or have exclusively licensed;
- We or our licensors or any future strategic partners might not have been the first to file patent applications covering certain of our inventions;
- Others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- It is possible that our pending patent applications will not lead to issued patents;
- Issued patents that we own or have exclusively licensed may not provide us with any competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;
- Our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets; and
- We may not develop additional proprietary technologies that are patentable.

We may be subject to claims challenging the inventorship of our patents and other intellectual property.

We may be subject to claims that former employees, collaborators or other third parties have an interest in our patents or other intellectual property as an inventor or co-inventor. For example, we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

Risks Related to Our Industry

We are subject to government regulations and we may experience delays in obtaining required regulatory approvals in the United States to market our proposed product candidates.

Various aspects of our operations are subject to federal, state or local laws, rules and regulations, any of which may change from time to time. Costs arising out of any regulatory developments could be time-consuming and expensive and could divert management resources and attention and, consequently, could adversely affect our business operations and financial performance.

Delays in regulatory approval, limitations in regulatory approval and withdrawals of regulatory approval may have a material adverse effect on us. If we experience significant delays in testing or receiving approvals or sign-offs to conduct clinical trials, our product development costs, or our ability to license product candidates, will increase. If the FDA grants regulatory approval to market a product, this approval will be limited to those disease states and conditions for which the product has demonstrated, through clinical trials, to be safe and effective. Any product approvals that we receive in the future could also include significant restrictions on the use or marketing of our products. Product approvals, if granted, can be withdrawn for failure to comply with regulatory requirements or upon the occurrence of adverse events following commercial introduction of the products. Failure to comply with applicable FDA or other applicable regulatory requirements may result in criminal prosecution, civil penalties, recall or seizure of products, total or partial suspension of production or injunction, as well as other regulatory action against our product candidates or us. If approval is withdrawn for a product, or if a product were seized or recalled, we would be unable to sell or license that product and our revenues would suffer. In addition, outside the United States, our ability to market any of our potential products is contingent upon receiving market application authorizations from the appropriate regulatory authorities and these foreign regulatory approval processes include all of the risks associated with the FDA approval process described above.

We expect the healthcare industry to face increased limitations on reimbursement as a result of healthcare reform, which could adversely affect third-party coverage of our products and how much or under what circumstances healthcare providers will prescribe or administer our products.

In both the United States and other countries, sales of our products will depend in part upon the availability of reimbursement from third-party payors, which include governmental authorities, managed care organizations and other private health insurers. Third-party payors are increasingly challenging the price and examining the cost effectiveness of medical products and services.

Increasing expenditures for healthcare have been the subject of considerable public attention in the United States. Both private and government entities are seeking ways to reduce or contain healthcare costs. Numerous proposals that would effect changes in the U.S. healthcare system have been introduced or proposed in Congress and in some state legislatures, including reducing reimbursement for prescription products and reducing the levels at which consumers and healthcare providers are reimbursed for purchases of pharmaceutical products.

In 2010, the U.S. Congress enacted the Patient Protection and Affordable Care Act of 2010, or the Affordable Care Act. The Affordable Care Act seeks to reduce the federal deficit and the rate of growth in healthcare spending through, among other things, stronger prevention and wellness measures, increased access to primary care, changes in healthcare delivery systems and the creation of health insurance exchanges. Enrollment in the health insurance exchanges began in October 2013. The Affordable Care Act requires the pharmaceutical industry to share in the costs of reform, by, among other things, increasing Medicaid rebates and expanding Medicaid rebates to cover Medicaid managed-care programs. Other components of healthcare reform include funding of pharmaceutical costs for Medicare patients in excess of the prescription drug coverage limit and below the catastrophic coverage threshold. Under the Affordable Care Act, pharmaceutical companies are now obligated to fund 50% of the patient obligation for branded prescription pharmaceuticals in this gap, or “donut hole.”

There have been judicial and congressional challenges to the Affordable Care Act, as well as efforts by the Trump Administration to repeal or replace certain aspects of the Affordable Care Act. Since January 2017, President Trump has signed two Executive Orders and other directives designed to delay the implementation of certain provisions of the Affordable Care Act or otherwise circumvent some of the requirements for health insurance mandated by the Affordable Care Act. However, to date, the Executive Orders have had limited effect and the Congressional activities have not resulted in the passage of a law. If a law is enacted, many if not all of the provisions of the Affordable Care Act may no longer apply to prescription drugs. While we are unable to predict what changes may ultimately be enacted, to the extent that future changes affect how any future products are paid for and reimbursed by government and private payers, our business could be adversely impacted. On December 14, 2018, a federal district court in Texas ruled that the Affordable Care Act is unconstitutional as a result of the Tax Cuts and Jobs Act and the federal income tax reform legislation previously passed by Congress and signed by President Trump on December 22, 2017, that eliminated the individual mandate portion of the Affordable Care Act. The case, Texas, et al, v. United States of America, et al., (N.D. Texas), is an outlier, and the ruling has been stayed by the ruling judge. We are not able to state with any certainty what will be the impact of this court decision on our business pending further court action and possible appeals.

Various states, such as California, have also taken steps to consider and enact laws or regulations that are intended to increase the visibility of the pricing of pharmaceutical products with the goal of reducing the prices at which we are able to sell our products. Because these various actual and proposed legislative changes are intended to operate on a state-by-state level rather than a national one, we cannot predict what the full effect of these legislative activities may be on our business in the future.

Although we cannot predict the full effect on our business of the implementation of existing legislation, including the Affordable Care Act or the enactment of additional legislation, we believe that legislation or regulations that reduce reimbursement for or restrict coverage of our products could adversely affect how much or under what circumstances healthcare providers will prescribe or administer our products. This could materially and adversely affect our business by reducing our ability to generate revenue, raise capital, obtain additional collaborators and market our products, following marketing approval. In addition, we believe the increasing emphasis on managed care in the United States has and will continue to put pressure on the price and usage of pharmaceutical products, which may adversely impact any future product sales.

If we or any of our independent contractors, consultants, collaborators, manufacturers, or service providers fail to comply with healthcare and data privacy laws and regulations, we or they could be subject to enforcement actions, which could result in penalties and affect our ability to develop, market and sell our product candidates and may harm our reputation.

We are or may in the future be subject to federal, state, and foreign healthcare and data privacy laws and regulations pertaining to, among other things, fraud and abuse of patients' rights. These laws and regulations include:

- The federal Anti-Kickback Statute prohibits, among other things, knowingly and willfully soliciting, offering, receiving, or paying any remuneration, directly or indirectly, in cash or in kind, to induce or reward purchasing, ordering or arranging for or recommending the purchase or order of any item or service for which payment may be made, in whole or in part, under a federal healthcare program such as Medicare and Medicaid. Liability may be established without a person or entity having actual knowledge of the federal Anti-Kickback Statute or specific intent to violate it. This statute has been interpreted to apply broadly to arrangements between pharmaceutical manufacturers on the one hand and prescribers, patients, purchasers and formulary managers on the other. In addition, the Affordable Care Act amended the Social Security Act to provide that the U.S. government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act, or the FCA. A conviction for violation of the Anti-Kickback Statute requires mandatory exclusion from participation in federal healthcare programs. Although there are a number of statutory exemptions and regulatory safe harbors protecting certain common activities from prosecution, the exemptions and safe harbors are drawn narrowly, and those activities may be subject to scrutiny or penalty if they do not qualify for an exemption or safe harbor;

- The FCA prohibits, among other things, knowingly presenting, or causing to be presented claims for payment of government funds that are false or fraudulent, or knowingly making, using or causing to be made or used a false record or statement material to such a false or fraudulent claim, or knowingly concealing or knowingly and improperly avoiding, decreasing, or concealing an obligation to pay money to the federal government. This statute also permits a private individual acting as a "whistleblower" to bring actions on behalf of the federal government alleging violations of the FCA and to share in any monetary recovery. The FCA prohibits anyone from knowingly presenting, conspiring to present, making a false statement in order to present, or causing to be presented, for payment to federal programs (including Medicare and Medicaid) claims for items or services, including drugs, that are false or fraudulent, claims for items or services not provided as claimed, or claims for medically unnecessary items or services. This law also prohibits anyone from knowingly underpaying an obligation owed to a federal program. Increasingly, U.S. federal agencies are requiring nonmonetary remedial measures, such as corporate integrity agreements in FCA settlements. The U.S. Department of Justice announced in 2016 its intent to follow the "Yates Memo," taking a far more aggressive approach in pursuing individuals as FCA defendants in addition to the corporations. FCA liability is potentially significant in the healthcare industry because the statute provides for treble damages and mandatory penalties of $5,500 to $11,000 per false claim or statement ($10,781 to $21,563 per false claim or statement for penalties assessed after August 1, 2016 for violations occurring after November 2, 2015, and $10,957 to $21,916 per false claim or statement for penalties assessed after February 3, 2017 for violations occurring after November 2, 2015). Government enforcement agencies and private whistleblowers have investigated pharmaceutical companies for or asserted liability under the FCA for a variety of alleged promotional and marketing activities, such as providing free product to customers with the expectation that the customers would bill federal programs for the product; providing consulting fees and other benefits to physicians to induce them to prescribe products; engaging in promotion for "off-label" uses; and submitting inflated best price information to the Medicaid Rebate Program;

- The federal False Statements Statute prohibits knowingly and willfully falsifying, concealing, or covering up a material fact or making any materially false, fictitious or fraudulent statement or representation, or making or using any false writing or document knowing the same to contain any materially false, fictitious or fraudulent statement or entry, in connection with the delivery of or payment for healthcare benefits, items, or services;

- The federal Civil Monetary Penalties Law authorizes the imposition of substantial civil monetary penalties against an entity, such as a pharmaceutical manufacturer, that engages in activities including, among others (1) knowingly presenting, or causing to be presented, a claim for services not provided as claimed or that is otherwise false or fraudulent in any way; (2) arranging for or contracting with an individual or entity that is excluded from participation in federal healthcare programs to provide items or services reimbursable by a federal healthcare program; (3) violations of the federal Anti-Kickback Statute; or (4) failing to report and return a known overpayment;

- The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, imposes criminal and civil liability for knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of, or payment for, healthcare benefits, items or services; similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;

- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, which imposes requirements on certain types of people and entities relating to the privacy, security, and transmission of individually identifiable health information, and requires notification to affected individuals and regulatory authorities of certain breaches of security of individually identifiable health information;

- The federal Physician Payment Sunshine Act, which requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program, to report annually to the Centers for Medicare & Medicaid Services information related to payments and other transfers of value to physicians, other healthcare providers and teaching hospitals, and ownership and investment interests held by physicians and other healthcare providers and their immediate family members, which is published in a searchable form on an annual basis;

- State laws comparable to each of the above federal laws, such as, for example, anti-kickback and false claims laws that may be broader in scope and also apply to commercial insurers and other non-federal;

- Payors requirements for mandatory corporate regulatory compliance programs, and laws relating to patient data privacy and security. Other state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government; require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and state and foreign laws govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts; and

- In the European Union, the General Data Protection Regulation, or the GDPR—Regulation EU 2016/679—which was adopted in May 2016 and has become applicable on May 25, 2018. The GDPR is further intended to harmonize data protection requirements across the European Union member states by establishing new and expanded operational requirements for entities that collect, process or use personal data generated in the European Union, including consent requirements for disclosing the way personal information will be used, information retention requirements, and notification requirements in the event of a data breach.

If our operations are found to be in violation of any such healthcare laws and regulations, we may be subject to penalties, including administrative, civil and criminal penalties, monetary damages, disgorgement, imprisonment, the curtailment or restructuring of our operations, loss of eligibility to obtain approvals from the FDA or foreign regulatory authorities, or exclusion from participation in government contracting, healthcare reimbursement or other government programs, including Medicare and Medicaid, any of which could adversely our financial results. Any action against us for an alleged or suspected violation could cause us to incur significant legal expenses and could divert our management's attention from the operation of our business, even if our defense is successful. In addition, achieving and sustaining compliance with applicable laws and regulations may be costly to us in terms of money, time and resources.

Risks Related to Our Ordinary Shares and ADSs

We may be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes in 2018 or in any subsequent year. There may be negative tax consequences for U.S. taxpayers that are holders of our ordinary shares or our ADSs.

We will be treated as a PFIC for U.S. federal income tax purposes in any taxable year in which either (i) at least 75% of our gross income is "passive income" or (ii) on average at least 50% of our assets by value produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, certain dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. Passive income also includes amounts derived by reason of the temporary investment of funds, including those raised in a public offering. In determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account. Based on our analysis of our income, assets, and operations, we do not believe that we were a PFIC for 2018. Because the PFIC determination is highly fact intensive, there can be no assurance that we will not be a PFIC for 2019 or for any other taxable year. If we were to be characterized as a PFIC for U.S. federal income tax purposes in any taxable year during which a U.S. shareholder owns our ordinary shares or ADSs, and such U.S. shareholder does not make an election to treat us as a "qualified electing fund," or QEF, or make a "mark-to-market" election, then "excess distributions" to such U.S. shareholder, and any gain realized on the sale or other disposition of our ordinary shares or ADSs will be subject to special rules. Under these rules: (i) the excess distribution or gain would be allocated ratably over the U.S. shareholder's holding period for the ordinary shares (or ADSs, as the case may be); (ii) the amount allocated to the current taxable year and any period prior to the first day of the first taxable year in which we were a PFIC would be taxed as ordinary income; and (iii) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. In addition, if the U.S. Internal Revenue Service determines that we are a PFIC for a year with respect to which we have determined that we were not a PFIC, it may be too late for a U.S. shareholder to make a timely QEF or mark-to-market election. U.S. shareholders who hold our ordinary shares or ADSs during a period when we are a PFIC will be subject to the foregoing rules, even if we cease to be a PFIC in subsequent years, subject to exceptions for U.S. shareholders who made a timely QEF or mark-to-market election. A U.S. shareholder can make a QEF election by completing the relevant portions of and filing IRS Form 8621 in accordance with the instructions thereto. Upon request, we will annually furnish U.S. shareholders with information needed in order to complete IRS Form 8621 (which form would be required to be filed with the IRS on an annual basis by the U.S. shareholder) and to make and maintain a valid QEF election for any year in which we or any of our subsidiaries that we control is a PFIC.

Issuance of additional equity securities may adversely affect the market price of our ADSs or ordinary shares.

We are currently authorized to issue 500,000,000 ordinary shares. As of February 13, 2019, we had 44,875,482 ordinary shares issued and outstanding and we had no preferred shares outstanding. As of February 13, 2019, we also had warrants to purchase 13,335,004 ordinary shares and options to purchase 1,700,401 ordinary shares outstanding, of which options to purchase 823,342 ordinary shares are currently fully vested or vest within the next 60 days.

To the extent that ADSs or ordinary shares are issued or options and warrants are exercised, holders of our ADSs and our ordinary shares will experience dilution. In addition, in the event of any future issuances of equity securities or securities convertible into or exchangeable for ADSs or ordinary shares, holders of our ADSs or our ordinary shares may experience dilution. We also consider from time to time various strategic alternatives that could involve issuances of additional ADSs or ordinary shares, including but not limited to acquisitions and business combinations, but do not currently have any definitive plans to enter into any of these transactions.

We have no plans to pay dividends on our ordinary shares, and you may not receive funds without selling our ADSs or ordinary shares.

We have not declared or paid any cash dividends on our ordinary shares, nor do we expect to pay any cash dividends on our ordinary shares for the foreseeable future. We currently intend to retain any additional future earnings to finance our operations and growth and for future stock repurchases and, therefore, we have no plans to pay cash dividends on our ordinary shares at this time. Any future determination to pay cash dividends on our ordinary shares will be at the discretion of our board of directors and will be dependent on our earnings, financial condition, operating results, capital requirements, any contractual restrictions, and other factors that our board of directors deems relevant. Accordingly, you may have to sell some or all of our ADSs or ordinary shares in order to generate cash from your investment. You may not receive a gain on your investment when you sell our ADSs or ordinary shares and may lose the entire amount of your investment.

The market price of our ordinary shares and ADSs is subject to fluctuation, which could result in substantial losses by our investors.

The stock market in general and the market price of our ordinary shares on the TASE and our ADSs on the NYSE American is subject to fluctuation, and changes in our share price may be unrelated to our operating performance. The market price of our ordinary shares and ADSs are and will be subject to a number of factors, including:

- announcements of technological innovations or new products by us or others;
- announcements by us of significant strategic partnerships, out-licensing, in-licensing, joint ventures, acquisitions or capital commitments;
- expiration or terminations of licenses, research contracts or other collaboration agreements;
- public concern as to the safety of drugs we, our licensees or others develop;
- general market conditions;
- the volatility of market prices for shares of biotechnology companies generally;

- success of research and development projects;
- success in clinical and preclinical studies;
- departure of key personnel;
- developments concerning intellectual property rights or regulatory approvals;
- variations in our and our competitors' results of operations;
- changes in earnings estimates or recommendations by securities analysts, if our ordinary shares or ADSs are covered by analysts;
- changes in government regulations or patent decisions;
- developments by our licensees; and
- general market conditions and other factors, including factors unrelated to our operating performance.

These factors and any corresponding price fluctuations may materially and adversely affect the market price of our ordinary shares and our ADSs and result in substantial losses by our investors.

Additionally, market prices for securities of biotechnology and pharmaceutical companies historically have been very volatile. The market for these securities has from time to time experienced significant price and volume fluctuations for reasons unrelated to the operating performance of any one company. In the past, following periods of market volatility, shareholders have often instituted securities class action litigation and we have been named in the past in a lawsuit requesting recognition as a class action, in which we ultimately prevailed. If we were involved in securities litigation, it could have a substantial cost and divert resources and attention of management from our business, even if we are successful.

Future sales of our ordinary shares or ADSs could reduce the market price of our ordinary shares and ADSs.

Substantial sales of our ordinary shares or our ADSs either on the TASE or on the NYSE American, as applicable, may cause the market price of our ordinary shares or our ADSs to decline.

Sales by us or our security-holders of substantial amounts of our ordinary shares or our ADSs, or the perception that these sales may occur in the future, could cause a reduction in the market price of our ordinary shares or our ADSs. The issuance of any additional ordinary shares or ADSs, or any securities that are exercisable for or convertible into our ordinary shares or our ADSs, may have an adverse effect on the market price of our ordinary shares or our ADSs, as applicable, and will have a dilutive effect on our shareholders.

We may not satisfy the NYSE American requirements for continued listing. If we cannot satisfy these requirements, the NYSE American could delist our securities.

Our ADSs are listed on the NYSE American under the symbol "CANF". To continue to be listed on the NYSE American, we are required to satisfy a number of conditions, including maintaining a share price and shareholders' equity above certain thresholds. If we are delisted from the NYSE American, trading in our securities may be conducted, if available, on the OTC Markets or, if available, via another market. In the event of such delisting, our shareholders would likely find it significantly more difficult to dispose of, or to obtain accurate quotations as to the value of our securities, and our ability to raise future capital through the sale of our securities could be severely limited. In addition, if our securities were delisted from the NYSE American, our ADSs could be considered a "penny stock" under the U.S. federal securities laws. Additional regulatory requirements apply to trading by broker-dealers of penny stocks that could result in the loss of an effective trading market for our securities. Moreover, if our ADSs were delisted from the NYSE American, we will no longer be exempt from certain provision of the Israeli Securities Law, and therefore will have increased disclosure requirements.

ADS holders are not shareholders and do not have shareholder rights.

The Bank of New York Mellon, as Depositary, delivers our ADSs. Each ADS represents two of our ordinary shares. ADS holders will not be treated as shareholders and do not have the rights of shareholders. The Depositary will be the holder of the shares underlying our ADSs. Holders of ADSs will have ADS holder rights. A deposit agreement among us, the Depositary, ADS holders and the beneficial owners of ADSs sets out ADS holder rights as well as the rights and obligations of the Depositary. New York law governs the deposit agreement and our ADSs. Our shareholders have shareholder rights. Israeli law and our Amended and Restated Articles of Association govern shareholder rights. ADS holders do not have the same voting rights as our shareholders. Shareholders are entitled to our notices of general meetings and to attend and vote at our general meetings of shareholders. At a general meeting, every shareholder present (in person or by proxy, attorney or representative) and entitled to vote has one vote. This is subject to any other rights or restrictions which may be attached to any shares. ADS holders may instruct the Depositary how to vote the number of deposited shares their ADSs represent. *Otherwise, you won't be able to exercise your right to vote unless you withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares.* The Depositary will notify ADS holders of shareholders' meetings and arrange to deliver our voting materials to them if we ask it to. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the Depositary how to vote. For instructions to be valid, they must reach the Depositary by a date set by the Depositary. The Depositary will try, as far as practical, subject to the laws of Israel and our Amended and Restated Articles of Association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. The Depositary will only vote or attempt to vote as instructed. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the Depositary to vote your shares. In addition, the Depositary and its agents are not responsible for failing to carry out voting instructions or for the matter of carrying out voting instructions. *This means that you may not be able to exercise your right to vote and there may be nothing you can do if your shares are not voted as requested.*

ADS holders do not have the same rights to receive dividends or other distributions as our shareholders. Subject to any special rights or restrictions attached to a share, the directors may determine that a dividend will be payable on a share and fix the amount, the time for payment and the method for payment (although we have never declared or paid any cash dividends on our ordinary shares and we do not anticipate paying any cash dividends in the foreseeable future). Dividends and other distributions payable to our shareholders with respect to our ordinary shares generally will be payable directly to them. Any dividends or distributions payable with respect to ordinary shares deposited in the ADS facility will be paid to the Depositary, which has agreed to pay to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after deducting its fees and expenses. ADS holders will receive these distributions in proportion to the number of ordinary shares their ADSs represent. In addition, there may be certain circumstances in which the Depositary may not pay ADS holders amounts distributed by us as a dividend or distribution.

Our ordinary shares and our ADSs are traded on different markets and this may result in price variations.

Our ordinary shares have traded on the TASE since October 2005 and our ADSs have been listed on the NYSE American since November 2013. Trading on these markets will take place in different currencies (U.S. dollars on the NYSE American and NIS on the TASE), and at different times (resulting from different time zones, different trading days and different public holidays in the United States and Israel). The trading prices of our securities on these two markets may differ due to these and other factors. Any decrease in the price of our securities on one of these markets could cause a decrease in the trading price of our securities on the other market.

We have incurred significant additional increased costs as a result of the listing of our ADSs for trading on the NYSE American, and our management is required to devote substantial time to new compliance initiatives as well as to compliance with ongoing U.S. and Israeli reporting requirements.

As a public company in the United States, we incur additional significant accounting, legal and other expenses that we did not incur before becoming a reporting company in the United States. We also incur costs associated with corporate governance requirements of the SEC and the NYSE American Company Guide, as well as requirements under Section 404 and other provisions of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act as a result of our ADSs being listed on the NYSE American. These rules and regulations have increased our legal and financial compliance costs, introduced new costs such as investor relations, stock exchange listing fees and shareholder reporting, and made some activities more time consuming and costly. The implementation and testing of such processes and systems may require us to hire outside consultants and incur other significant costs. Any future changes in the laws and regulations affecting public companies in the United States and Israel, including Section 404 and other provisions of the Sarbanes-Oxley Act, the rules and regulations adopted by the SEC and the NYSE American Company Guide, as well as applicable Israeli reporting requirements, for so long as they apply to us, may result in increased costs to us as we respond to such changes. These laws, rules and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors, our board committees or as executive officers.

As a foreign private issuer, we are permitted to follow certain home country corporate governance practices instead of applicable SEC and NYSE American requirements, which may result in less protection than is accorded to investors under rules applicable to domestic issuers.

As a foreign private issuer, we will be permitted to follow certain home country corporate governance practices instead of those otherwise required under the NYSE American Company Guide for domestic issuers. For instance, we may follow home country practice in Israel with regard to, among other things, composition and function of the audit committee and other committees of our Board of Directors and certain general corporate governance matters. In addition, in certain instances we will follow our home country law, instead of the NYSE American Company Guide, which requires that we obtain shareholder approval for certain dilutive events, such as an issuance that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company. We comply with the director independence requirements of the NYSE American Company Guide, including the requirement that a majority of the Board of Directors be independent. Following our home country governance practices as opposed to the requirements that would otherwise apply to a U.S. company listed on the NYSE American may provide less protection than is accorded to investors under the NYSE American Company Guide applicable to domestic issuers.

In addition, as a foreign private issuer, we are exempt from the rules and regulations under the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as domestic companies whose securities are registered under the Exchange Act.

Because we became a reporting company under the Exchange Act by means of filing a Form 20-F, we may have difficulty attracting the attention of research analysts at major brokerage firms.

Because we did not become a reporting company by conducting an underwritten initial public offering in the United States, we may have difficulty attracting the attention of security analysts at major brokerage firms in order for them to provide coverage of our company. The failure to receive research coverage or support in the market for our shares will have an adverse effect on our ability to develop a liquid market for our ADSs.

If we are unable to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act as they apply to a foreign private issuer that is listed on a U.S. exchange, or our internal control over financial reporting is not effective, the reliability of our financial statements may be questioned and our share price and the ADS price may suffer.

We are subject to the requirements of the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act requires companies subject to the reporting requirements of the U.S. securities laws to do a comprehensive evaluation of its and its subsidiaries' internal control over financial reporting. To comply with this statute, we must document and test our internal control procedures and our management and issue a report concerning our internal control over financial reporting. In addition, under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, emerging growth companies, like ourselves, are exempt from certain reporting requirements, including the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act. Under this exemption, our auditor will not be required to attest to and report on our management's assessment of our internal control over financial reporting until the date we are no longer an emerging growth company as defined in the JOBS Act, because we are taking advantage of the exemptions contained in the JOBS Act. We will need to prepare for compliance with Section 404 by strengthening, assessing and testing our system of internal controls to provide the basis for our report. However, the continuous process of strengthening our internal controls and complying with Section 404 is complicated and time-consuming. Furthermore, as our business continues to grow both domestically and internationally, our internal controls will become more complex and will require significantly more resources and attention to ensure our internal controls remain effective overall. During the course of the testing, our management may identify material weaknesses or significant deficiencies, which may not be remedied in a timely manner to meet the deadline imposed by the Sarbanes-Oxley Act. If our management cannot favorably assess the effectiveness of our internal control over financial reporting, or our independent registered public accounting firm identifies material weaknesses in our internal controls, investor confidence in our financial results may weaken, and the market price of our securities may suffer.

While we currently qualify as an "emerging growth company" under the JOBS Act, we will cease to be an emerging growth company on or before the end of 2019, and at such time our costs and the demands placed upon our management will increase.

As an "emerging growth company" under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. We are an emerging growth company until the earliest of: (i) the last day of the fiscal year during which we had total annual gross revenues of $1.07 billion or more, (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement, (iii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt or (iv) the date on which we are deemed a "large accelerated issuer" as defined in Regulation S-K of the Securities Act. For so long as we remain an emerging growth company, we will not be required to:

- have an auditor report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board, or the PCAOB, regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis);
- submit certain executive compensation matters to shareholders advisory votes pursuant to the "say on frequency" and "say on pay" provisions (requiring a non-binding shareholder vote to approve compensation of certain executive officers) and the "say on golden parachute" provisions (requiring a non-binding shareholder vote to approve golden parachute arrangements for certain executive officers in connection with mergers and certain other business combinations) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; and
- include detailed compensation discussion and analysis in our filings under the Exchange Act, and instead may provide a reduced level of disclosure concerning executive compensation.

We cannot predict if investors will find our ordinary shares or ADSs less attractive because we may rely on these exemptions. If some investors find our ordinary shares less attractive as a result, there may be a less active trading market for our ordinary shares, and our share price may become more volatile and decline.

Risks Related to Our Operations in Israel

We conduct our operations in Israel and therefore our results may be adversely affected by political, economic and military instability in Israel and its region.

Our headquarters, all of our operations and some of our suppliers and third party contractors are located in central Israel and our key employees, officers and most of our directors are residents of Israel. Accordingly, political, economic and military conditions in Israel and the surrounding region may directly affect our business. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors. Any hostilities involving Israel or the interruption or curtailment of trade within Israel or between Israel and its trading partners could adversely affect our operations and results of operations and could make it more difficult for us to raise capital. During the winter of 2008, winter of 2012 and the summer of 2014, Israel was engaged in an armed conflict with Hamas, a militia group and political party operating in the Gaza Strip, and during the summer of 2006, Israel was engaged in an armed conflict with Hezbollah, a Lebanese Islamist Shiite militia group and political party. Israel faces political tension with respect to its relationships with Turkey, Iran and certain Arab neighbor countries. In addition, recent conflicts involved missile strikes against civilian targets in various parts of Israel, and negatively affected business conditions in Israel. Recent political uprisings and social unrest in various countries in the Middle East and North Africa are affecting the political stability of those countries. This instability may lead to deterioration of the political relationships that exist between Israel and these countries, and have raised concerns regarding security in the region and the potential for armed conflict. Any armed conflicts, terrorist activities or political instability in the region could adversely affect business conditions and could harm our results of operations. For example, any major escalation in hostilities in the region could result in a portion of our employees and service providers being called up to perform military duty for an extended period of time. Parties with whom we do business have sometimes declined to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary. In addition, the political and security situation in Israel may result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements. Any future deterioration in the political and security situation in Israel will negatively impact our business.

Our commercial insurance does not cover losses that may occur as a result of events associated with the security situation in the Middle East. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could harm our results of operations.

Further, in the past, the State of Israel and Israeli companies have been subjected to an economic boycott. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on our operating results, financial condition or the expansion of our business.

Our operations may be disrupted as a result of the obligation of Israeli citizens to perform military service.

Many Israeli citizens, including Motti Farbstein, our Chief Operating and Financial Officer, are obligated to perform one month, and in some cases more, of annual military reserve duty until they reach the age of 40 (or older, for reservists with certain occupations) and, in the event of a military conflict, may be called to active duty. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists. It is possible that there will be military reserve duty call-ups in the future. Our operations could be disrupted by such call-ups, which may include the call-up of Motti Farbstein. Such disruption could materially adversely affect our business, financial condition and results of operations.

Because a certain portion of our expenses is incurred in currencies other than the U.S. dollars, our results of operations may be harmed by currency fluctuations and inflation.

From our inception through January 1, 2018, our functional and presentation currency was the NIS. Management conducted a review of the functional currency and decided to change its functional and presentation currency to the U.S. dollars from the NIS effective January 1, 2018. These changes were based on an assessment by our management that the U.S. dollars is the primary currency of the economic environment in which we operate. Part of our expenses are payable in U.S. dollars or in Euros as well as the revenues from our licensing arrangements that are payable in U.S. dollars and Canadian dollars, we expect our revenues from future licensing arrangements to be denominated in U.S. dollars or in Euros. To date, we have not engaged in hedging transactions. Although the Israeli rate of inflation has not had a material adverse effect on our financial condition during 2016, 2017, or 2018 to date, we may, in the future, decide to enter into currency hedging transactions to decrease the risk of financial exposure from fluctuations in the exchange rates of the currencies mentioned above in relation to the U.S. dollars. These measures, however, may not adequately protect us from material adverse effects.

Provisions of Israeli law may delay, prevent or otherwise impede a merger with, or an acquisition of, our Company, which could prevent a change of control, even when the terms of such a transaction are favorable to us and our shareholders.

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions. For example, a merger may not be consummated unless at least 50 days have passed from the date that a merger proposal was filed by each merging company with the Israel Registrar of Companies and at least 30 days from the date that the shareholders of both merging companies approved the merger. In addition, a majority of each class of securities of the target company must approve a merger. Moreover, a full tender offer can only be completed if the acquirer receives at least 95% of the issued share capital; provided that, pursuant to an amendment to the Companies Law, 5759-1999, as amended, or the Israeli Companies Law, effective as of May 15, 2011, a majority of the offerees that do not have a personal interest in such tender offer shall have approved the tender offer; except that, if the total votes to reject the tender offer represent less than 2% of our issued and outstanding share capital, in the aggregate, approval by a majority of the offerees that do not have a personal interest in such tender offer is not required to complete the tender offer, and the shareholders, including those who indicated their acceptance of the tender offer, may, at any time within six months following the completion of the tender offer, petition the court to alter the consideration for the acquisition (unless the acquirer stipulated in the tender offer that a shareholder that accepts the offer may not seek appraisal rights).

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to our shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of numerous conditions, including a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies are restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no actual disposition of the shares has occurred.

These and other similar provisions could delay, prevent or impede an acquisition of us or our merger with another company, even if such an acquisition or merger would be beneficial to us or to our shareholders.

It may be difficult to enforce a U.S. judgment against us and our officers and directors named in this Annual Report on Form 20-F in Israel or the United States, or to serve process on our officers and directors.

We are incorporated in Israel. All of our executive officers and directors listed in our most recent Annual Report on Form 20-F on file with the SEC reside outside of the United States, and all of our assets and most of the assets of our executive officers and directors are located outside of the United States. Therefore, a judgment obtained against us or most of our executive officers and all of our directors in the United States, including one based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not be enforced by an Israeli court. It also may be difficult for you to effect service of process on these persons in the United States or to assert U.S. securities law claims in original actions instituted in Israel.

Your rights and responsibilities as a shareholder will be governed by Israeli law which may differ in some respects from the rights and responsibilities of shareholders of U.S. companies.

We are incorporated under Israeli law. The rights and responsibilities of the holders of our ordinary shares and ADSs are governed by our Amended and Restated Articles of Association and Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S.-based corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith toward the company and other shareholders and to refrain from abusing its power in the company, including, among other things, in voting at the general meeting of shareholders on matters such as amendments to a company's articles of association, increases in a company's authorized share capital, mergers and acquisitions and interested party transactions requiring shareholder approval. In addition, a shareholder who knows that it possesses the power to determine the outcome of a shareholder vote or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company. There is limited case law available to assist us in understanding the implications of these provisions that govern shareholders' actions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our ordinary shares and ADSs that are not typically imposed on shareholders of U.S. corporations.

Risks Related to this Offering

The sale of a substantial amount of our ordinary shares or ADSs, including resale of the ADSs issuable upon the exercise of the warrants held by the selling shareholders in the public market could adversely affect the prevailing market price of our common stock.

We are registering for resale 4,700,002 ordinary shares represented by 2,350,001 ADSs issuable upon the exercise of warrants held by the selling shareholders. Sales of substantial amounts of shares of our ordinary shares or ADSs in the public market, or the perception that such sales might occur, could adversely affect the market price of our ordinary shares, and the market value of our other securities. We cannot predict if and when selling shareholders may sell such shares in the public markets. Furthermore, in the future, we may issue additional ordinary shares or ADSs or other equity or debt securities convertible into ordinary shares or ADSs. Any such issuance could result in substantial dilution to our existing shareholders and could cause our stock price to decline.

BUSINESS

We are a clinical-stage biopharmaceutical company focused on developing orally bioavailable small molecule therapeutic products for the treatment of cancer, liver and inflammatory disease and sexual dysfunction. Our platform technology utilizes the Gi protein associated A3AR as a therapeutic target. A3AR is highly expressed in inflammatory and cancer cells, and not significantly expressed in normal cells, suggesting that the receptor could be a unique target for pharmacological intervention. Our pipeline of drug candidates are synthetic, highly specific agonists and allosteric modulators, or ligands or molecules that initiate molecular events when binding with target proteins, targeting the A3AR.

Our product pipeline is based on the research of Dr. Pnina Fishman, who investigated a clinical observation that tumor metastasis can be found in most body tissues, but are rarely found in muscle tissue, which constitutes approximately 60% of human body weight. Dr. Fishman's research revealed that one reason that striated muscle tissue is resistant to tumor metastasis is that muscle cells release small molecules which bind with high selectivity to the A3AR. As part of her research, Dr. Fishman also discovered that A3ARs have significant expression in tumor and inflammatory cells, whereas normal cells have low or no expression of this receptor. The A3AR agonists and allosteric modulators, currently our pipeline of drug candidates, bind with high selectivity and affinity to the A3ARs and upon binding to the receptor initiate down-stream signal transduction pathways resulting in apoptosis, or programmed cell death, of tumors and inflammatory cells and to the inhibition of inflammatory cytokines. Cytokines are proteins produced by cells that interact with cells of the immune system in order to regulate the body's response to disease and infection. Overproduction or inappropriate production of certain cytokines by the body can result in disease.

Our product candidates, CF101, CF102 and CF602, are being developed to treat autoimmune inflammatory indications, oncology and liver diseases as well as sexual dysfunction. CF101, also known as Piclidenoson, is in an advance stage of clinical development for the treatment of autoimmune-inflammatory diseases, including rheumatoid arthritis and psoriasis. CF102, also known as Namodenoson, is being developed for the treatment of HCC and has orphan drug designation for the treatment of HCC in the United States and Europe. Namodenoson was granted Fast Track designation by the FDA as a second line treatment to improve survival for patients with advanced HCC who have previously received Nexavar (sorafenib). Namodenoson is also being developed for the treatment of NASH, following our study which revealed compelling pre-clinical data on Namodenoson in the treatment of NASH, a disease for which no FDA approved therapies currently exist. CF602 is our second generation allosteric drug candidate for the treatment of sexual dysfunction, which has shown efficacy in the treatment of erectile dysfunction in preclinical studies and we are investigating additional compounds, targeting A3AR, for the treatment of sexual dysfunction. Preclinical studies revealed that our drug candidates have potential to treat additional inflammatory diseases, such as Crohn's disease, oncological diseases and viral diseases, such as the JC virus, and obesity.

We believe our pipeline of drug candidates represent a significant market opportunity. For instance, according to Visiongain, the world rheumatoid arthritis market size is predicted to generate revenues of $34.6 billion in 2020 and the psoriasis drug market is forecasted to be worth $11.4 billion by 2020. According to Datamonitor, the HCC drug market is expected to reach $1.4 billion by 2019.

We have in-licensed an allosteric modulator of the A3AR, CF602 from Leiden University. In addition, we have out-licensed the following:

- Piclidenoson for the treatment of (i) rheumatoid arthritis to Kwang Dong Pharmaceutical Co. Ltd., for Korea, (ii) psoriasis and rheumatoid arthritis to Cipher Pharmaceuticals for Canada, (iii) rheumatoid arthritis and psoriasis to Gebro Holding, for Spain, Switzerland and Austria, and (iv) rheumatoid arthritis and psoriasis to CMS Medical for China (including Hong Kong, Macao and Taiwan); and

- Namodenoson for the treatment of (i) liver cancer to Chong Kun Dang Pharmaceuticals for South Korea, and (ii) advanced liver cancer and NAFLD/NASH to CMS Medical for China (including Hong Kong, Macao and Taiwan).

We believe that our drug candidates have certain unique characteristics and advantages over drugs currently available on the market and under development to treat these indications. To date, we have generated our pipeline by in-licensing, researching and developing two synthetic A3AR agonists, Piclidenoson and Namodenoson, and an allosteric modulator, CF602. For example, our technology platform is based on the finding that the A3AR is highly expressed in pathological cells, such as various tumor cell types and inflammatory cells. High A3AR expression levels are also found in peripheral blood mononuclear cells, or PBMCs, of patients with cancer, inflammatory and viral diseases. PBMCs are a critical part of the immune system required to fight infection. We believe that targeting the A3AR with synthetic and highly selective A3AR agonists, such as Piclidenoson and Namodenoson, and allosteric modulators, such as CF602, induces anti-cancer and anti-inflammatory effects. In addition, our human clinical data suggests that the A3AR is a biological marker and that high A3AR expression prior to treatment may be predictive of good patient response to our drug treatment. In fact, as a result of our research we have developed a simple blood assay to test for A3AR expression as a predictive biological marker. We have been granted a U.S. patent with respect to the intellectual property related to such assay and utilized this assay in our Phase IIb study of Piclidenoson for the treatment of rheumatoid arthritis.

Moreover, we believe characteristics of Piclidenoson, as exhibited in our clinical studies to date, including its good safety profile, clinical activity, simple and less frequent delivery through oral administration and its low cost of production, position it well against the competition in the autoimmune-inflammatory markets, including the rheumatoid arthritis and psoriasis markets, where treatments, when available, often include injectable drugs, many of which can be highly toxic, expensive and not always effective. Furthermore, pre-clinical pharmacology studies in different experimental animal models of arthritis revealed that Piclidenoson acts as a disease modifying anti-rheumatic drug, or a DMARD, which, when coupled with its good safety profile, makes it competitive in the psoriasis and rheumatoid arthritis markets. Our recent findings also demonstrate that a biological predictive marker can be utilized prior to treatment with Piclidenoson, which may allow it to be used as a personalized medicine therapeutic approach for the treatment of rheumatoid arthritis.

Like Piclidenoson, Namodenoson has a good safety profile, is orally administered and has a low cost of production, which we believe positions it well in the HCC market, where only one drug, Nexavar, has been approved by the FDA. In addition, pre-clinical studies show Namodenoson's novel mechanism of action which entails de-regulation of three key signaling pathways which mediate the etiology and pathology of NAFLD/NASH and are responsible for the anti-inflammatory and anti-fibrogenic effect in the liver. Most recently, pre-clinical data support Namodenoson's potential utilization as an anti-obesity drug.

Nevertheless, other drugs on the market, new drugs under development (including drugs that are in more advanced stages of development in comparison to our drug candidates) and additional drugs that were originally intended for other purposes, but were found effective for purposes targeted by us, may all be competitive to the current drugs in our pipeline. In fact, some of these drugs are well established and accepted among patients and physicians in their respective markets, are orally bioavailable, can be efficiently produced and marketed, and are relatively safe. None of our product candidates have been approved for sale or marketing and, to date, there have been no commercial sales of any of our product candidates.

Our research further suggests that A3AR affects pathological and normal cells differently. While specific A3AR agonists, such as Piclidenoson and Namodenoson, and allosteric modulators, such as CF602, appear to inhibit growth and induce apoptosis of cancer and inflammatory cells, normal cells are refractory, or unresponsive to the effects of these drugs. To date, the A3AR agonists have had a positive safety profile as a result of this differential effect.

We are currently: (i) conducting a Phase III trial for Piclidenoson in the treatment of rheumatoid arthritis, (ii) conducting a Phase III trial for Piclidenoson in the treatment of psoriasis, (iii) conducting a Phase II study with respect to the development of Namodenoson for the treatment of HCC and completed enrollment of 78 patients in the third quarter of 2017 with results expected in the first quarter of 2019, (iv) conducting a Phase II trial of Namodenoson in the treatment of NASH with completion of patient enrollment expected toward the end of 2018 and data release expected in the third quarter of 2019, and (v) investigating additional compounds, targeting the A3 adenosine receptor, for the treatment of sexual dysfunction and have therefore postponed a planned Investigational New Drug (IND) submission for this indication.

Our Strategy

Our strategy is to build a fully integrated biotechnology company that discovers, in-licenses and develops an innovative and effective small molecule drug portfolio of ligands that bind to a specific therapeutic target for the treatment of cancer, liver and inflammatory disease and sexual dysfunction. We continue to develop and test our existing pipeline, while also testing other indications for our existing drugs and examining, from time to time, the potential of other small molecules that may fit our platform technology of utilizing small molecules to target the A3AR. We generally focus on drugs with global market potential and we seek to create global partnerships to effectively assist us in developing our portfolio and to market our products. Our approach allows us to:

- continue to advance our clinical and preclinical pipeline;
- test our products for additional indications which fit our molecules' mechanism of action;
- identify other small molecule drugs or ligands;
- focus on our product candidates closest to realizing their potential; and
- avoid dependency on a small number of small molecules and indications.

Using this approach, we have successfully advanced our product candidates for a number of indications into various stages of clinical development. Specific elements of our current strategy include the following:

Successful development of our existing portfolio of small molecule orally bioavailable drugs for the treatment of various diseases. We intend to continue to develop our existing portfolio of small molecule orally bioavailable drugs, both for existing targeted diseases, as well as other potential indications. Our drug development will continue to focus on cancer, liver and inflammatory disease and sexual dysfunction. We will focus most prominently on advancing our product candidates that are in the most advanced stages, i.e., rheumatoid arthritis and psoriasis with respect to Piclidenoson, and HCC and NASH with respect to Namodenoson.

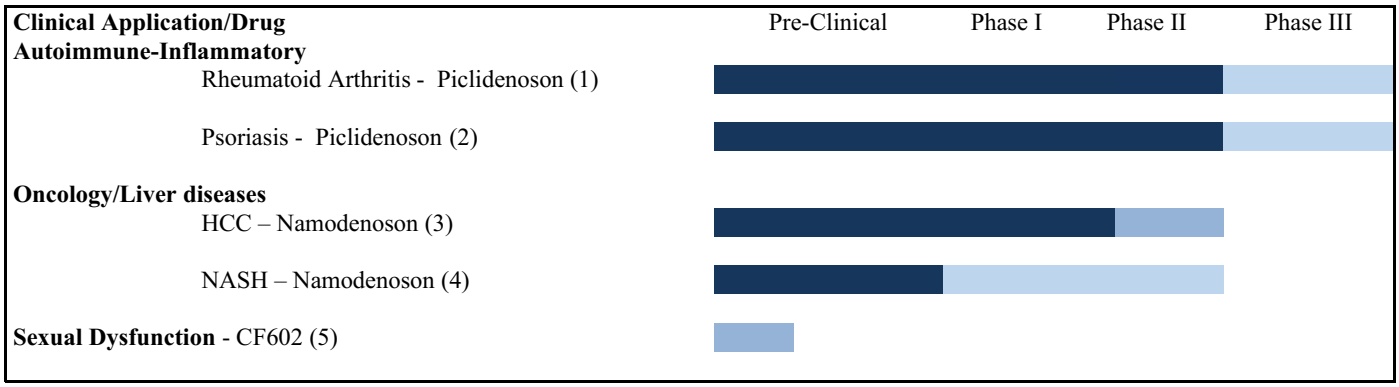
Use our expertise with our platform technology to evaluate in-licensing opportunities. We continuously seek attractive product candidates and innovative technologies to in-license or acquire. We intend to focus on product candidates that would be synergistic with our A3AR expertise. We believe that by pursuing selective acquisitions of technologies in businesses that complement our own, we will be able to enhance our competitiveness and strengthen our market position. We intend to utilize our expertise in A3AR and our pharmacological expertise to validate new classes of small molecule orally bioavailable drugs. We will then seek to grow our product candidate portfolio by attempting to in-license those various candidates and to develop them for a variety of indications.

Primarily develop products that target major global markets. Our existing product candidates are almost all directed at diseases that have major global markets. Our intent is to continue to develop products that target diseases that affect significant populations using our platform technology. We believe these arrangements will allow us to share the high development cost, minimize the risk of failure and enjoy our partners' marketing capabilities, while also enabling us to treat a more significant number of persons. We believe further that this strategy will increase the likelihood of advancing clinical development and potential commercialization of our product candidates.

Commercialize our product candidates through out-licensing arrangements. We have entered into several out-licensing arrangements with leading pharmaceutical companies in the Far East, Canada and Europe. We intend to continue to commercialize our product candidates through out-licensing arrangements with third parties who may perform any or all of the following tasks: completing development, securing regulatory approvals, manufacturing, marketing and sales. We do not intend to develop our own manufacturing facilities or sales forces. If appropriate, we may enter into co-development and similar arrangements with respect to any product candidate with third parties or commercialize a product candidate ourselves. We believe these arrangements will allow us to share the high development cost, minimize the risk of failure and enjoy our partners' marketing capabilities. We believe further that this strategy will increase the likelihood of advancing clinical development and potential commercialization of our product candidates.

Our Product Pipeline

The table below sets forth our current pipeline of product candidates, including the target indication and status of each.



Completed

On-going

Preparatory work

(1) We are conducting a Phase III trial for Piclidenoson in the treatment of rheumatoid arthritis.

(2) We are conducting a Phase III trial for Piclidenoson in the treatment of psoriasis.

(3) We are conducting a Phase II study with respect to the development of Namodenoson for the treatment of HCC with approximately 78 patients and completed enrollment of 78 patients in the third quarter of 2017 with results expected in the first quarter of 2019.

(4) We are conducting a Phase II trial of Namodenoson in the treatment of NASH. Results are expected in the third quarter of 2019.

(5) We are investigating additional compounds, targeting the A3AR, for the treatment of sexual dysfunction and have therefore postponed a planned IND submission for this indication.

Piclidenoson (CF101)

Piclidenoson, our lead therapeutic product candidate, is in development for the treatment of autoimmune-inflammatory diseases. In certain of our pharmacological studies, Piclidenoson has also shown potential for development for the treatment of Crohn's disease. Piclidenoson is a highly-selective, orally bioavailable small molecule synthetic drug, which targets the A3AR. Based on our clinical studies to date, we believe that Piclidenoson has a favorable safety profile and significant anti-inflammatory effects as a result of its capability to inhibit the production of inflammatory cytokines, such as TNF-α, IL-6 and IL-1, and chemokines, or small cytokines, such as MMPs, by signaling key proteins such as NF-κB and PKB/AKT. Overall, these up-stream events result in apoptosis of inflammatory cells. See Figure 1 below. Piclidenoson's anti-inflammatory effect is mediated via the A3AR, which is highly expressed in inflammatory cells.

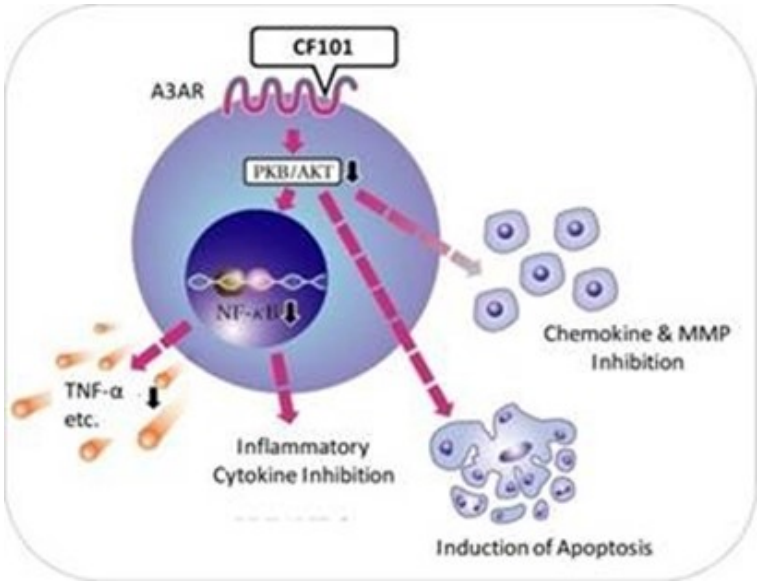


Figure 1: Piclidenoson anti-inflammatory mechanism of action

Set forth below are general descriptions of the inflammatory diseases with respect to which Piclidenoson is currently undergoing, or is in preparation for clinical trials.

Rheumatoid Arthritis: Rheumatoid arthritis, is a chronic, systemic autoimmune-inflammatory disease that may affect many tissues and organs, but principally attacks flexible synovial, or joints, on both sides of the body. This symmetry helps distinguish rheumatoid arthritis from other types of arthritis, which is the general term for joint inflammation. Although the cause of rheumatoid arthritis is unknown, autoimmunity plays a pivotal role in both its chronicity and progression. The disease involves abnormal B cell–T cell interaction, which results in the release of cytokines. The cytokines signal the release of inflammatory cells. The inflammatory cells migrate from the blood into the joints and joint-lining tissue. There, the cells produce inflammatory substances that cause irritation, wearing down of cartilage, or the cushioning material at the end of bones, swelling and inflammation of the joint lining, which is caused by excess synovial fluid, the development of pannus, or fibrous tissue, in the joint, and ankylosis, or fusion of the joints. Joint inflammation is characterized by redness, warmth, swelling and pain within the joint. As the cartilage wears down, the space between the bones narrows. If the condition worsens, the bones could rub against each other. As the lining expands due to inflammation from excess fluid, it may erode the adjacent bone, resulting in bone damage. Rheumatoid arthritis can also produce diffuse inflammation in the lungs, membrane around the heart, the membranes of the lungs, and white of the eye, and also nodular lesions, most common in subcutaneous tissue.

Psoriasis: Psoriasis is an autoimmune hereditary disease that affects the skin. In psoriasis, immune cells move from the dermis to the epidermis, where they stimulate keratinocytes, or skin cells, to proliferate. DNA acts as an inflammatory stimulus to stimulate receptors which produce cytokines, such as IL-1, IL-6, and TNF-α, and antimicrobial peptides. These cytokines and antimicrobial peptides signal more inflammatory cells to arrive and produce further inflammation. In other words, psoriasis occurs when the immune system overreacts and mistakes the skin cells as a pathogen, and sends out faulty signals that speed up the growth cycle of skin cells. Normally, skin cells grow gradually and flake off approximately every four weeks. New skin cells grow to replace the outer layers of the skin as they shed. But in psoriasis, new skin cells move rapidly to the surface of the skin in days rather than weeks. They build up and form thick patches called plaques.

There are five types of psoriasis: plaque, guttate, inverse, pustular and erythrodermic. The most common form, plaque psoriasis, is commonly seen as red and white hues of scaly patches appearing on the top first layer of the epidermis, or skin. In plaque psoriasis, skin rapidly accumulates at these sites, which gives it a silvery-white appearance. Plaques frequently occur on the skin of the lower back, elbows and knees, but can affect any area, including the scalp, palms of hands, soles of feet and genitals. The plaques range in size from small to large. In contrast to eczema, psoriasis is more likely to be found on the outer side of the joint. Some patients, though, have no dermatological symptoms.

Psoriasis is a chronic recurring condition that varies in severity from minor localized patches to complete body coverage. Fingernails and toenails are frequently affected, known as psoriatic nail dystrophy, and can be seen as an isolated symptom. Psoriasis can also cause inflammation of the joints, which is known as psoriatic arthritis.

Pre-Clinical Studies of Piclidenoson

The information below is based on the various studies conducted with Piclidenoson, including preclinical studies. All of the studies were conducted by Can-Fite and/or by Can-Fite's partners or affiliates.

Pre-clinical studies are a set of experiments carried out in animals to show that a certain drug does not evoke toxicity. Based on the animal studies and safety data, one can approach the FDA and request permission to conduct a Phase I study in human beings.

The toxicity of Piclidenoson has been evaluated following 28-day, 90-day, six-month and nine-month good laboratory practice repeated-dose toxicity studies in male and female mice (28-day, 90-day and six-month), dogs (single-dose only), and monkeys (28-day, 90-day and nine-month). Even though the dose of Piclidenoson in these studies was escalated to an exposure that is many folds higher than the dose used in human clinical studies, no toxic side effects were identified.

Effects on cardiovascular parameters were evaluated in conscious instrumented monkeys and anesthetized dogs. These studies demonstrated no significant cardiovascular risk.

Genotoxicity studies were conducted in bacterial and mammalian mutation assays *in vitro* (i.e., laboratory) and in an *in vivo* (i.e., animal) mouse micronucleus assay. These studies were all negative, indicating no deleterious action on cellular genetic material.

Reproductive toxicology studies that we completed in mice and rabbits did not reveal evidence of negative effects on male or female fertility. In mouse teratology studies, or studies for abnormalities of physiological developments, craniofacial and skeletal abnormalities were observed at doses greater than 10 mg/kg; however, no such effects were observed at 3 mg/kg demonstrating the safety of the drug in this concentration range. Teratogenicity, or any developmental anomaly in a fetus, was not observed in rabbits given doses (greater than 13 mg/kg) that induced severe maternal toxicity in such rabbits.

Studies of P450 enzymes, or enzymes that participate in the metabolism of drugs, showed that Piclidenoson caused no P450 enzyme inhibition, or increased drug activity, or induction, or reduced drug activity. Studies carried out with radiolabeled (C^{14}) Piclidenoson in rats showed that the drug is excreted essentially unchanged. These studies also showed that the drug is widely distributed in all body parts, except the central nervous system.

Clinical Studies of Piclidenoson

The information below is based on the various studies conducted with Piclidenoson, including clinical studies in patients with autoimmune-inflammatory and ophthalmic diseases. All of the studies were conducted by Can-Fite and/or by Can-Fite's partners or affiliates.

Phase I Clinical Studies of Piclidenoson

Piclidenoson has been studied comprehensively in normal volunteer trials to assess safety, pharmacokinetic metabolism and food interaction. Two Phase I studies in 40 healthy volunteers, single dose and repeated dose, indicated that Piclidenoson is rapidly absorbed (reaching a maximal concentration within one to two hours) with a half-life of eight to nine hours. Some mild adverse events (principally, increased heart rate) were observed at doses higher than single doses of 10.0 mg and twice-daily doses of 5.0 mg. Such increase in heart rate was not accompanied by any change in QT intervals. The drug showed linear kinetics, in that the concentration that results from the dose is proportional to the dose and the rate of elimination of the drug is proportional to the concentration, and low inter-subject variability, meaning that the same dose of the drug does not produce large differences in pharmacological responses in different individuals. A fed-fast Phase I study (with and without food) demonstrated that food causes some attenuation in Piclidenoson absorption; accordingly, Piclidenoson is administered to patients on an empty stomach in our trials. An additional Phase I study of the absorption, metabolism, excretion and mass balance of 4.0 mg (C^{14}) Piclidenoson was conducted in six healthy male subjects and demonstrated that Piclidenoson was generally well-tolerated in this group.

Based on the findings from Phase I clinical studies, 4.0 mg twice daily, or BID, was selected as the upper limit for initial Phase II clinical trials.

Additionally, in preparation for Phase III studies of Piclidenoson to establish cardiac safety in humans prior to registration for marketing approval, we conducted a cardiodynamic trial that was a placebo-controlled crossover study using precise methodology to determine the effect of Piclidenoson on electrocardiograms of healthy volunteers. The primary objective of the trial was to assess whether Piclidenoson causes a delay in cardiac repolarization, as manifested by prolongation of the QT interval of the electrocardiogram. A drug-induced delay in cardiac repolarization creates an electrophysiological environment that can lead to the development of ventricular cardiac arrhythmias. In this study, Piclidenoson doses were up to 3-fold higher than the highest dose expected to be used in our registration-directed clinical trials. Trial results showed that our highest projected Piclidenoson dose had no clinically significant adverse electrocardiographic effects.

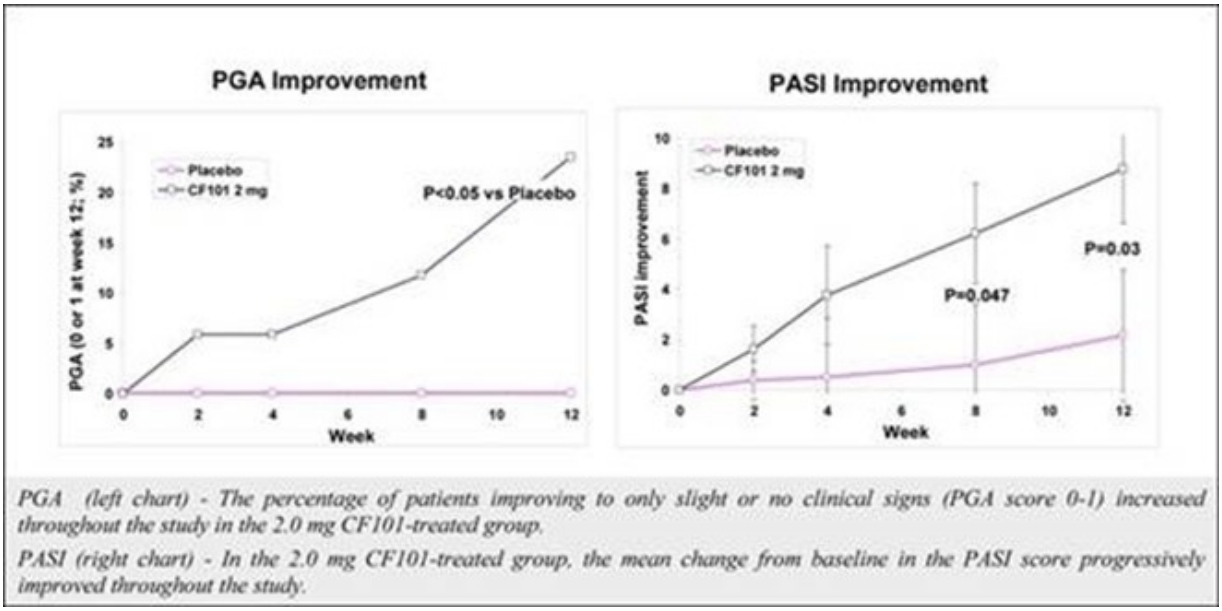
Phase II, Phase II/III and Phase III Clinical Studies of Piclidenoson

Piclidenoson has completed eleven Phase II studies, one Phase II/III study and one Phase III study in different clinical indications including psoriasis, rheumatoid arthritis, glaucoma and dry eye syndrome, or DES, in approximately 1,500 patients. These studies indicate that Piclidenoson has a favorable safety profile at doses up to 4.0 mg BID for up to 32 weeks. In these studies, we did not observe a dose-response relationship between Piclidenoson and adverse events. Moreover, we did not observe any clinically significant changes in vital signs, electrocardiograms, blood chemistry or hematology.

Piclidenoson given as a standalone therapy reached the primary endpoint in Phase II clinical studies in DES; however, a Phase III study of Piclidenoson for DES failed to reach the primary endpoint. We have observed positive data utilizing Piclidenoson as a standalone drug in a Phase IIa clinical study in rheumatoid arthritis. In this study, we also observed a significant direct correlation between A3AR expression prior to treatment and the patients' responses to Piclidenoson. However, we did not fully attain the primary endpoint in this study as we did not observe a significant difference in responses between Piclidenoson and the placebo (which for this study was 0.1 mg of Piclidenoson). Moreover, two Phase IIb studies in rheumatoid arthritis utilizing Piclidenoson in combination with MTX, also failed to reach the primary endpoints. Based on this data, we believe that the failures in the Phase IIb studies in rheumatoid arthritis may have been due to low A3AR expression in the MTX-treated patients. A Phase IIb of Piclidenoson given as a standalone therapy in patients with A3AR expression levels above a certain threshold reached the primary endpoint in rheumatoid arthritis in December 2013. Piclidenoson has been tested in Phase II trials to establish dose and activity (first, orally administered capsules and then tablets in formulations of 1.0, 2.0 and 4.0 mg of Piclidenoson BID) in psoriasis (moderate to severe plaque psoriasis), rheumatoid arthritis and DES (moderate to severe). A Phase II/III study of Piclidenoson for psoriasis did not meet its primary endpoint although positive data from further analysis of the Phase II/III study suggests Piclidenoson as a potential systemic therapy for patients with moderate-severe psoriasis. In addition, a Phase II study of Piclidenoson for glaucoma showed no statistically significant differences between the Piclidenoson treated group and the placebo group in the primary endpoint of lowering IOP.

Psoriasis: The rationale for utilizing Piclidenoson to treat psoriasis stems from our pre-clinical pharmacology studies showing that Piclidenoson acts as an anti-inflammatory agent via the inhibition of inflammatory cytokines, including TNF-α, which plays a major role in the pathogenesis of psoriasis. In addition, the A3AR is over-expressed in the tissue and PBMCs of patients with psoriasis.

We completed an exploratory Phase II trial in ten European and Israeli medical centers involving 76 patients. This study was a randomized, double-blind, placebo controlled and included four cohorts of 1.0, 2.0, and 4.0 mg of Piclidenoson and a placebo for a 12-week period. The study objectives were efficacy and safety of daily doses of Piclidenoson administered orally in patients with moderate-to-severe plaque-type psoriasis and the efficacy endpoints were improvements in both the Psoriasis Area Sensitivity Index score, or PASI score, and the Physicians' Global Assessment score, or PGA score. We concluded that Piclidenoson met such efficacy endpoints and was well tolerated and effective in ameliorating disease manifestations in these patients. The patient group receiving 2.0 mg Piclidenoson BID showed progressive improvement over the course of the 12-week study in the PGA and PASI scores. Analysis of the mean change from baseline in the PASI score at week 12 revealed a statistically significant difference between the 2.0 mg Piclidenoson BID treated group and the placebo group ($p<0.001$ versus baseline and $p=0.031$ versus placebo). Analysis of the PGA score revealed that 23.5% of the patients treated with the 2.0 mg Piclidenoson BID achieved a score of 0 or 1, in comparison to 0% in the placebo group ($p<0.05$). The study also demonstrated linear improvement in patients in both PASI and PGA. See Figure 2. No drug-related serious adverse events were evident during the study.



PGA (left chart) - The percentage of patients improving to only slight or no clinical signs (PGA score 0-1) increased throughout the study in the 2.0 mg CF101-treated group.

PASI (right chart) - In the 2.0 mg CF101-treated group, the mean change from baseline in the PASI score progressively improved throughout the study.

Figure 2: Psoriasis efficacy by PGA and PASI

Set forth below are representative pictures of a patient with plaque-type psoriasis on the upper and lower back treated with 2.0 mg Piclidenoson BID, both baseline and week 12.

A comparison between baseline and week 12 of a patient treated with 2.0 mg CF101

In February 2015, we completed a Phase II/III randomized, double-blind, placebo-controlled, dose-finding study of the efficacy and safety of Piclidenoson administered daily orally in patients with moderate-to-severe plaque psoriasis. This clinical trial enrolled 326 patients in 17 clinical centers in the United States, Europe and Israel, of which 103 patients were enrolled in the first study cohort and were treated for 6 months and 223 patients were enrolled in the second study cohort and were treated for 8 months. The first study cohort was comprised of three arms with patients receiving: 1.0 mg of Piclidenoson; 2.0 mg of Piclidenoson; and placebo. All patients receiving placebo were switched to either 1.0 mg or 2.0 mg of Piclidenoson after 12 weeks. Based on a positive safety and efficacy interim analysis of the first 103 patients who completed 24 weeks of treatment in the trial, we decided to continue patient enrollment for the second stage of the study and the study protocol was amended to extend the Piclidenoson 2.0 mg BID and placebo administration for a period of 32 weeks. The positive clinical effects of the Piclidenoson 2.0 mg BID dose relative to a placebo were observed in a variety of standard psoriasis assessment parameters, including PASI 75 and PGA scores, with the responses accumulating steadily over the 24-week treatment period.

In March 2015, we announced the study did not meet its primary endpoint of a statistically significant improvement in the PASI 75 score relative to placebo after 12 weeks of treatment. Further analysis of the entire study period revealed that by 32 weeks of treatment with Piclidenoson, 33% of the patients achieved PASI 75 while the mean percent of improvement in PASI score was 57% ($p<0.001$). This was a statistically significant cumulative and linear improvement during weeks 16 to 32. Most significantly, by week 32 of the study, 20% of the study patients reached PASI 90, a result demonstrating a response rate of 90% clearing of skin lesions. PASI 90 is one of the most stringent and difficult to meet clinical endpoints for measuring responses to psoriasis treatments. Moreover, the PASI 90 subset analysis further suggests a higher and significant ($p=0.026$) Piclidenoson response rate of 27% among patients previously untreated with systemic psoriasis therapy compared to patients pre-treated with systemic drugs. We believe this presents the opportunity that Piclidenoson can be developed as a first-line systemic therapy for patients with moderate-severe psoriasis and for patients who do not want to be treated with the current systemic drugs due to safety issues.

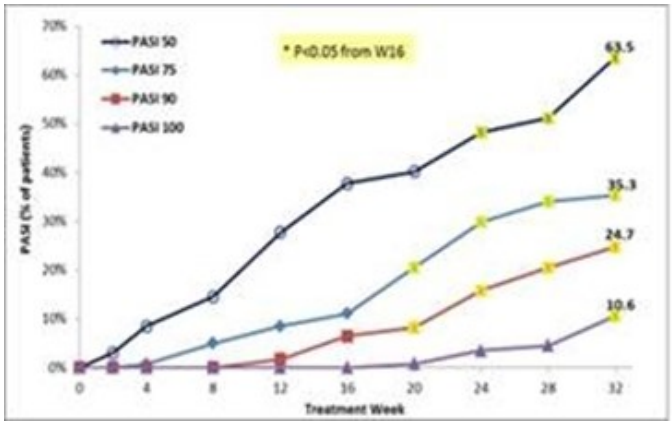
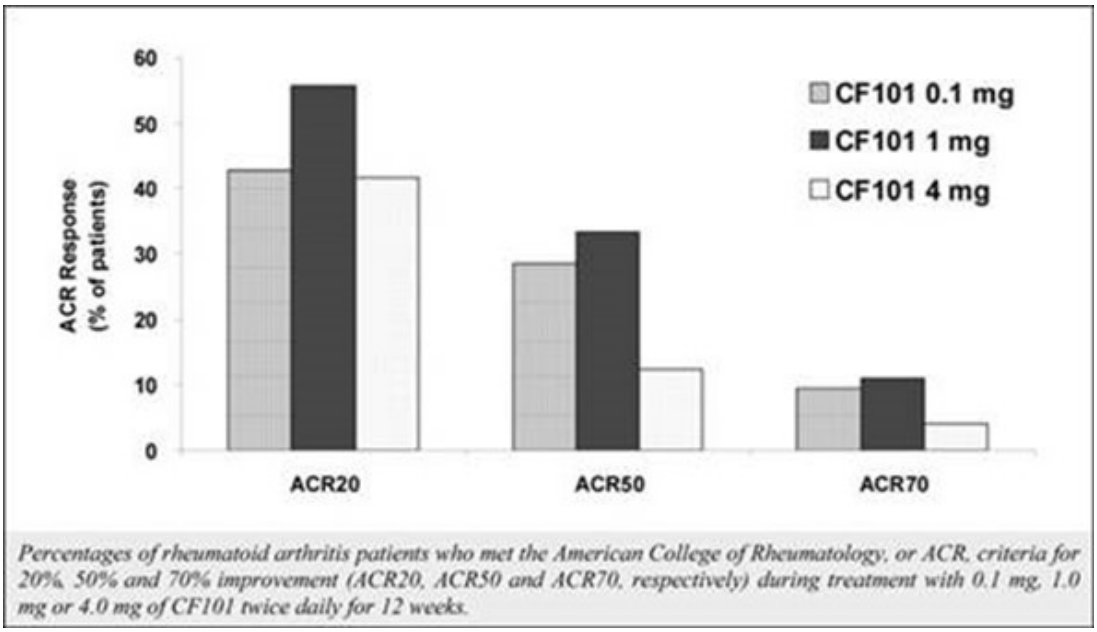


Figure 3: Linear Effect of Piclidenoson on PASI Scores through 32 Weeks of Treatment

We are currently conducting our pivotal COMFORT Phase III trial for Piclidenoson for the treatment of psoriasis. The trial is a randomized, double-blind, placebo- and active-controlled study that is investigating the efficacy and safety of daily Piclidenoson administered orally as compared to placebo as its primary endpoint and as compared to apremilast (Otezla®) as its secondary endpoint in approximately 400 patients with moderate-to-severe plaque psoriasis. Medication is to be taken orally twice daily for 32 weeks in a double-blinded fashion. The primary end point is the proportion of subjects who achieve a PASI score response of ≥75% (PASI 75) vs. placebo at week 16. The secondary endpoints include non-inferiority to Otezla® on week 32 and efficacy and safety data for CF101 through the extension period of up to 48 weeks of treatment. Patients are being selected to the study based on over expression of the A3AR biomarker. In August 2018, we announced enrollment of the first patient. We expect COMFORT will serve as the first of two pivotal studies required for EMA-drug approval.

Rheumatoid Arthritis: We conducted a Phase IIa blinded to dose study in 74 patients with rheumatoid arthritis, randomized to receive Piclidenoson as a monotherapy in one of three doses—0.1 mg, 1.0 mg and 4.0 mg. The primary efficacy endpoint was ACR20 response at week 12, a criterion determined by the American College of Rheumatology that reflects 20% improvement in inflammation parameters. The study data revealed maximal response at the 1.0 mg group, showing 55.6% with ACR20, 33.3% with 50% improvement, or ACR50, and 11.5% with 70% improvement, or ACR70. Piclidenoson administered BID for 12 weeks resulted in improvement in signs and symptoms of rheumatoid arthritis and was well-tolerated. See Figure 4. Studies in the United States were conducted pursuant to an open IND, which was received by the FDA in 2005.



Percentages of rheumatoid arthritis patients who met the American College of Rheumatology, or ACR, criteria for 20%, 50% and 70% improvement (ACR20, ACR50 and ACR70, respectively) during treatment with 0.1 mg, 1.0 mg or 4.0 mg of CF101 twice daily for 12 weeks.

Figure 4: Rheumatoid Arthritis efficacy by ACR

Subsequently, two Phase IIb studies with Piclidenoson in combination with MTX were conducted. The study protocols were multicenter, randomized, double-blind, placebo-controlled, parallel-group and dose-finding to determine the safety and efficacy of daily Piclidenoson administered orally when added to weekly MTX in patients with active rheumatoid arthritis. The objectives of both studies were improvement in ACR20, ACR50, ACR70 and DAS28, or the Disease Activity Score of 28 Joints, and EULAR, or the European League Against Rheumatism, response criteria, as well as a positive safety profile. The trials' primary endpoints were both ACR20.

The first Phase IIb trial showed that the combined treatment had an excellent safety profile, but no significant ACR20 response was observed between the rheumatoid arthritis group treated with Piclidenoson and MTX and the group treated with MTX alone (the placebo group). However, the ACR50, ACR70 and the EULAR Good Values in the combined treatment group were higher than those of the MTX placebo group. The study also indicated that the 1.0 mg Piclidenoson dose was the most favorable dose, i.e., the dose yielded the highest ACR50 and EULAR Good Values as compared to the MTX placebo group. The most commonly reported adverse events in this study included nausea, dizziness, headache and common bacterial and viral infections and infestations.

Following a decision of our Clinical Advisory Board in October 2007, an additional Phase IIb study was initiated. This study was conducted in medical centers in Europe and Israel and included 230 patients who received the drug orally BID (0.1 and 1.0 mg Piclidenoson tablets plus MTX versus a placebo, which was MTX alone) for 12 weeks. On April 30, 2009, we published preliminary results of the Phase IIb study, which were later confirmed as the final results, also indicating that the study's objectives were not achieved. The most commonly reported adverse events in this study included nausea, myalgia and dizziness.

The two Phase IIb studies failed to achieve the primary endpoint of ACR20. A cross study analysis of the three rheumatoid arthritis clinical studies revealed that in the first Phase IIa study, where Piclidenoson had been administered as a standalone drug, A3AR had been over-expressed in the patients' PBMCs prior to Piclidenoson treatment, whereas A3AR had not been over-expressed in the Phase IIb patient population. We believe, based on the foregoing data, that there may be a direct and statistically significant correlation between A3AR over-expression at baseline and patients' response to Piclidenoson, and that Piclidenoson should be administered as a standalone drug and not in combination with MTX. Furthermore, the correlation between A3AR expression levels prior to treatment and patients' response to the drug suggest that the A3AR may be a predictive biomarker to be analyzed prior to Piclidenoson treatment. See Figures 5 and 6.

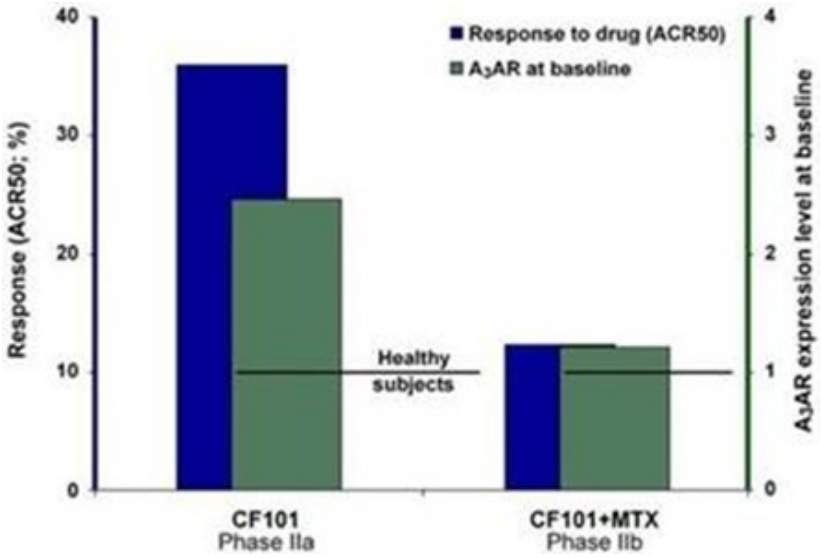


Figure 5: Direct correlation between A3AR at baseline and response to Piclidenoson

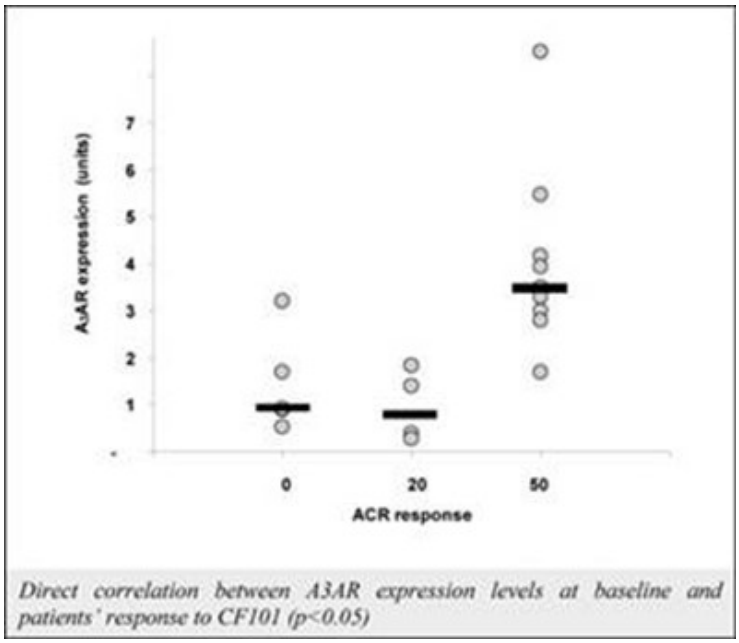


Figure 6: Direct correlation between A3AR at baseline and response to Piclidenoson

Based on the results of the two Phase IIb studies, we conducted an additional Phase IIb clinical study with Piclidenoson as a stand-alone, monotherapy treatment and not in combination with MTX. The trial was a 12-week multicenter, randomized, double-blind, placebo-controlled, parallel-group study involving 79 patients to determine the safety and efficacy of Piclidenoson administered orally daily in patients with active rheumatoid arthritis and elevated baseline expression levels of the A3AR in PBMCs. Enrolled patients had high baseline A3AR biomarker expression (determined at 1.5-fold over a predetermined age-matched standard). This selection criteria was made following the findings during previous Phase IIa and IIb rheumatoid arthritis studies showing a positive correlation between A3AR expression at baseline and patients' response to the drug, potentially rendering A3AR expression as a predictive biomarker. The primary objectives of this study were to determine the efficacy of oral Piclidenoson when administered daily as a standalone treatment for 12 weeks to patients with active rheumatoid arthritis and elevated baseline expression levels of the A3AR in the patients' PBMCs, in comparison to a placebo treatment, and to assess the safety of daily oral Piclidenoson under the circumstances of the trial. In December 2013, we announced the results of the study in which Piclidenoson met all primary efficacy endpoints, showing statistically significant superiority over placebo in reducing signs and symptoms of rheumatoid arthritis as compared to the placebo. The treatment had an ACR20 response rate of 49% for Piclidenoson compared to 25% for placebo (p=0.035), an ACR50 response rate of 19% for Piclidenoson compared to 9% for placebo, and an ACR70 response rate of 11% for Piclidenoson compared to 3% for placebo. See Figure 7. Similar to our observations in the previously reported Piclidenoson psoriasis trials, the response of patients with rheumatoid arthritis was cumulative over time, suggesting a consistent anti-inflammatory effect of Piclidenoson. Moreover, half of the rheumatoid arthritis patients treated with Piclidenoson showed clinically meaningful improvement. Piclidenoson was very well-tolerated and showed no evidence of immunosuppression, and there were no severe treatment-emergent adverse events during the study. A subgroup analysis of 16 patients with no prior systemic therapy showed a dramatic increase in the response showing ACR20 of 75%, ACR50 of 50%, and ACR70 of 50%. See Figure 7. We believe this may be related to the fact that in this patient population there is a full receptor expression since they had not been treated earlier with any systemic drugs.

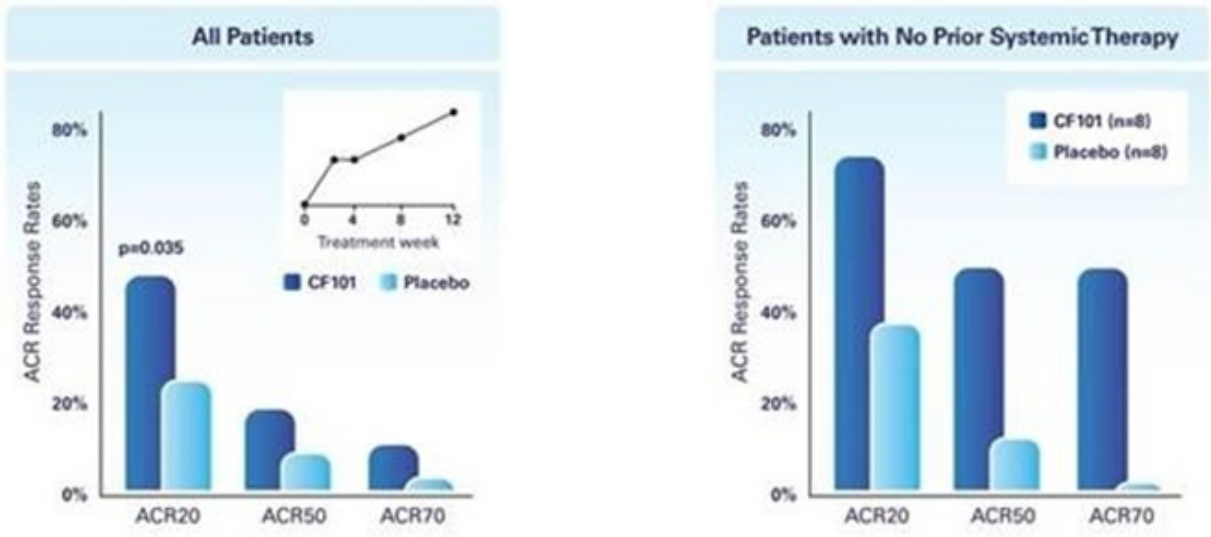


Figure 7: ACR response data – Rheumatoid Arthritis phase IIb

We are currently conducting our pivotal ACRobat Phase III trial of Piclidenoson to evaluate Piclidenoson as a first line treatment and replacement MTX. The trial is a randomized, double-blind, active and placebo-controlled, parallel-group study in approximately 500 patients in Europe, Israel and Canada. The primary endpoint of ACRobat is low disease activity after 12 weeks of treatment in patients dosed with Piclidenoson compared to those dosed with MTX. Piclidenoson at 1.0 mg and 2.0 mg, or placebo, will be administered twice daily, and MTX or placebo will be administered once weekly. The total study duration will be 24 weeks in order to provide more data on long term efficacy and safety. In the fourth quarter of 2017, we announced the enrollment and dosing of the first patient in the trial. We expect ACRobat will serve as the first of two pivotal studies required for EMA-drug approval.

DES: DES is an eye disease caused by eye dryness, which, in turn, is caused by either decreased tear production or increased tear film evaporation. A Phase II study in DES was conducted by Can-Fite after discovering that patients in the Phase IIa study for another condition also experienced improvement in DES symptoms. The results of the Phase II trial demonstrated the ability of Piclidenoson to improve signs of ocular surface inflammation of the patients studied. Following positive results in the Phase II study, we initiated a Phase III DES trial, under an IND with the FDA, which was conducted by OphthaliX in the United States, Europe and Israel. The randomized, double-masked Phase III clinical trial enrolled 237 patients with moderate-to-severe DES who were randomized to receive two oral doses of Piclidenoson (0.1 and 1.0 mg) and a placebo, for a period of 24 weeks. The primary efficacy endpoint was complete clearing of corneal staining. In December 2013, we announced the results of this Phase III study of Piclidenoson for the treatment of DES. In the study, Piclidenoson did not meet the primary efficacy endpoint of complete clearing of corneal staining, nor the secondary efficacy endpoints. Nonetheless, Piclidenoson was found to be well tolerated. In 2014, we decided to end the development of Piclidenoson for the DES indication. This decision was based on a lack of correlation between patients' response to Piclidenoson and over-expression of the drug target, the A3AR in this patient population.

Glaucoma: Glaucoma is an eye disease in which the optic nerve is damaged. This optic nerve damage involves loss of retinal ganglion cells, or neurons located near the inner surface of the retina, in a characteristic pattern. There are many different subtypes of glaucoma, but they can all be considered to be a type of optic neuropathy. Raised IOP is the most important and only modifiable risk factor for glaucoma. However, some individuals may have high IOP for years and never develop optic nerve damage. This is known as ocular hypertension. Others may develop optic nerve damage at a relatively low IOP, and, thus, glaucoma. Untreated glaucoma can lead to permanent damage of the optic nerve and resultant visual field loss, which over time can progress to blindness. A Phase II clinical trial of Piclidenoson for the treatment of glaucoma was conducted by OphthaliX. The randomized, double-masked, placebo-controlled, parallel-group Phase II clinical trial was designed to evaluate the safety and efficacy of Piclidenoson when administered orally twice daily for up to 16 weeks in patients with elevated IOP. A total of 89 patients were enrolled in the study. The study was conducted with two cohorts. In the first cohort, treatment was randomized in a 3:1 ratio of 1.0 mg Piclidenoson to placebo. In the second cohort, which was also randomized in a 3:1 Piclidenoson to placebo ratio, the Piclidenoson dose was increased to 2.0 mg. In July 2016, top line results were announced. In this trial, no statistically significant differences were found between the Piclidenoson treated group and the placebo group in the primary endpoint of lowering IOP. Piclidenoson was found to have a favorable safety profile and was well tolerated. Based on these overall results OphthaliX saw no immediate path forward in glaucoma and we have since terminated the License Agreement that we granted to OphthaliX, following the Merger with Wize Pharma.

History and Development of the Company

Our legal name is Can-Fite BioPharma Ltd. and our commercial name is "Can-Fite." We are a company limited by shares organized under the laws of the State of Israel. Our principal executive offices are located at 10 Bareket Street, Kiryat Matalon, Petah-Tikva 4951778 Israel. Our telephone number is +972 (3) 924-1114.

We were founded on September 11, 1994 by Pnina Fishman, Ph.D., our Chief Executive Officer and a director, and Ilan Cohn, Ph.D., our Chairman of the Board of Directors, under the name Can-Fite Technologies Ltd. On January 7, 2001, we changed our name to Can-Fite BioPharma Ltd. We completed our initial public offering in Israel in October 2005 and our ordinary shares are traded on the TASE under the symbol "CFBI". On October 2, 2012, our ADSs began trading over the counter in the United States under the symbol "CANFY" and on November 19, 2013, our ADSs began trading on the NYSE American under the symbol "CANF."

In November 2011, through a series of transactions, we spun-off our activity in the ophthalmic field to our now former subsidiary, OphthaliX, a Delaware corporation and successor-in-interest to Denali Concrete Management, Inc., a Nevada corporation, whose common shares were traded in the United States on OTC under the symbol "OPLI." In the spin-off transactions, we granted an exclusive license for the use of our Piclidenoson drug candidate in the ophthalmic field, or the License Agreement, to Eye-Fite Ltd., an Israel limited company, or Eye-Fite, and transferred our issued and outstanding ordinary shares in Eye-Fite to OphthaliX in exchange for an 86.7% interest in OphthaliX. In connection with the spin-off transactions, OphthaliX completed a series of private placement financing transactions. Following the spin-off transactions and the private placement financing transactions, we held approximately 82% interest in OphthaliX. In July 2016, OphthaliX released top-line results from its Phase II clinical trial of Piclidenoson for the treatment of glaucoma. In this trial, no statistically significant differences were found between the Piclidenoson treated group and the placebo group in the primary endpoint of lowering IOP. High IOP is a characteristic of glaucoma. Piclidenoson was found to have a favorable safety profile and was well tolerated. Based on these overall results, OphthaliX saw no immediate path forward in glaucoma and ceased active business operations. Subsequently, on May 21, 2017, OphthaliX and a wholly owned private Israeli subsidiary of OphthaliX, Bufiduck Ltd, or the Merger Sub, and Wize Pharma Ltd., or Wize Israel, an Israeli company formerly listed on the TASE entered into an Agreement and Plan of Merger, or the Merger Agreement, providing for the merger of the Merger Sub with and into Wize Israel, with Wize Israel becoming a wholly-owned subsidiary of OphthaliX and the surviving corporation of the merger, or the Merger. On November 16, 2017, the Merger was completed. As a result of the Merger, our ownership of OphthaliX, immediately post-Merger, became approximately 8% of the outstanding shares of common stock. In addition, immediately prior to the Merger, OphthaliX sold on an "as is" basis to us all the ordinary shares of Eye-Fite in exchange for the irrevocable cancellation and waiver of all indebtedness owed by OphthaliX and Eye-Fite to us, including approximately $5 million of deferred payments owed by OphthaliX and Eye-Fite to us and, as part of the purchase of Eye-Fite, we also assumed certain accrued milestone payments in the amount of $175,000 under a license agreement previously entered into with NIH. In addition, that certain License Agreement granted to OphthaliX by us and a related services agreement was terminated. See "Major Shareholders and Related Party Transactions—Related Party Transactions".

Our current capital expenditures are made solely within Israel and primarily consist of the acquisition of computers and related communications equipment. Such capital expenditures are financed internally.

Additional Developments with Piclidenoson

Osteoarthritis

According to the Arthritis Foundation, osteoarthritis, or OA, is the most common arthritic disease. Currently, there is a shortage of effective drugs for treating OA patients. Piclidenoson has induced a significant anti-inflammatory effect in experimental animal models with respect to the treatment of OA and, as such, we are currently preparing for a Phase II study. We have not yet filed an IND for this indication as Piclidenoson for the treatment of OA is not currently being clinically tested in the United States and there are no near-term plans to do so.

Crohn's Disease

Crohn's disease is an inflammatory bowel disease that may affect any portion of the gastrointestinal tract, causing a wide variety of symptoms. It primarily causes abdominal pain, diarrhea, vomiting and weight loss; however, it may also cause complications outside the gastrointestinal tract, such as skin rashes, arthritis, inflammation of the eye, tiredness and lack of concentration. Pre-clinical pharmacology studies that we have conducted demonstrated the efficacy of Piclidenoson for the treatment of Crohn's disease. We do not presently have plans for the treatment of Crohn's disease.

Namodenoson (CF102)

Namodenoson is our second drug candidate and is under development for the treatment of HCC, hepatitis C virus, or HCV, or NAFLD, the precursor to NASH. Namodenoson is also a small, orally bioavailable molecule, and an A3AR agonist, with high affinity and selectivity to the A3AR. In comparison to the expression in adjacent normal liver tissue, the A3AR is over-expressed in tumor tissues of patients with HCC, and the over-expression is also reflected in the patients' PBMCs. A3AR over-expression in the patients' tumor cells and PBMCs is attributed to high expression of certain A3AR transcription factors. The binding of Namodenoson to the A3AR results in down-regulation, or a decrease in the quantity of a cellular component, such as the number of receptors on a cell's surface, of certain A3AR transcription factors. Our studies have shown that this down-regulation leads to apoptosis of HCC cells. In our pre-clinical and clinical studies, Namodenoson demonstrated anti-cancer, anti-viral and liver protective effects. As a result, we believe that Namodenoson can be used to treat a variety of oncological and liver-related diseases and viruses.

In February 2012, the FDA granted an orphan drug status for the active moiety, or the part of the drug that is responsible for the physiological or pharmacological action of the drug substance, of Namodenoson for the treatment of HCC. Subsequently, in October 2015, the EMA granted Namodenoson orphan drug designation for the treatment of HCC.

An orphan drug designation is a special designation for drug approval and marketing. The special designation is granted to companies that develop a given drug for unique populations and for incurable and relatively rare diseases. The FDA orphan drug designation program provides orphan status to drugs and biologics, which are intended for the safe and effective treatment, diagnosis or prevention of rare diseases or disorders that affect fewer than 200,000 people in the United States and in the EU not more than 5 per 10,000. Orphan drug designations have enabled companies to achieve medical breakthroughs that may not have otherwise been achieved due to the economics of drug research and development as this status lessens some of the regulatory burdens, for approval, including statistical requirements for efficacy, safety and stability, in an effort to maintain development momentum. Orphan drug designation also results in additional marketing exclusivity and could result in certain financial incentives.

In September 2015, the FDA granted Fast Track designation to Namodenoson as a second line treatment to improve survival for patients with advanced HCC who have previously received Nexavar (sorafenib). Fast Track, aimed at getting important new drugs that meet an unmet need to patients earlier, is expected to expedite the development of Namodenoson. Drugs that receive Fast Track designation benefit from more frequent meetings and communications with the FDA to review the drug's development plan to support approval. It also allows us to submit parts of the NDA on a rolling basis for review as data becomes available.

Israel's Ministry of Health has previously approved Namodenoson for Compassionate Use for HCC.

Set forth below are general descriptions of the diseases with respect to which Namodenoson has underwent or is currently undergoing or being prepared for clinical trials.

HCC: HCC is an oncological disease characterized by malignant tumors that grow on the surface or inside of the liver. This type of tumor is refractory to chemotherapy and to other anti-cancer agents. HCC, like any other cancer, develops when there is a mutation to the cellular machinery that causes the cell to replicate at a higher rate and/or results in the cell avoiding apoptosis. Chronic infections of Hepatitis B and/or C can aid the development of HCC by repeatedly causing the body's own immune system to attack the liver cells, some of which are infected by the virus. While this constant cycle of damage followed by repair can lead to mistakes during repair which in turn lead to carcinogenesis, this hypothesis is more applicable, at present, to HCV. Chronic HCV causes HCC through cirrhosis. In chronic Hepatitis B, however, the integration of the virus into infected cells can directly induce a non-cirrhotic liver to develop HCC. Alternatively, repeated consumption of large amounts of ethanol can have a similar effect.

Hepatitis C: HCV is an infectious disease affecting primarily the liver, caused by the Hepatitis C virus. The infection is often asymptomatic, but chronic infection can lead to scarring of the liver and ultimately to cirrhosis, which is generally apparent after many years, and chronic liver disease. The virus also increases the chance for HCC development. In some cases, those with cirrhosis will develop liver failure, liver cancer or life-threatening esophageal and gastric varices, or dilated submucosal veins, which can be life-threatening. HCV is spread primarily by blood-to-blood contact often associated with intravenous drug use, poorly sterilized medical equipment, transfusions, and sexual intercourse.

NAFLD/NASH: NASH, also called "fatty liver", is a condition in which fat builds up inside the liver causing inflammation. Prior to the presence of inflammation, the disease is simply referred to as NAFLD, the most common form of liver disorder in the United States. The accumulation of macroglobular fat inside the liver causes oxidative stress that reduces the efficiency of the liver and can lead to increased liver enzymes such as alanine aminotransferase and aspartate aminotransferase. Loss of liver efficiency and oxidative stress leads to inflammation, liver cell ballooning, and the development of NASH. Prolonged inflammation results in cirrhosis (scar tissue), liver failure, or liver cancer. There are currently no drugs approved for the treatment of NASH.

Pre-Clinical Studies with Namodenoson

We conducted several pre-clinical studies demonstrating robust anti-inflammatory, anti-fibrogenic and anti-steatotic effects, supporting the development of Namodenoson for the NAFLD/NASH indication. Furthermore, the results indicated that Namodenoson was very well tolerated.

In pre-clincial studies, we evaluated the toxicity, stability, metabolism and other safety parameters of Namodenoson at doses much higher than the doses that we currently administer to humans in our clinical trials of Namodenoson.

In pre-clinical pharmacology studies, Namodenoson inhibited the growth of HCC via the induction of tumor cell apoptosis. In addition, in collaboration with leading virology labs, we observed that Namodenoson inhibited viral replication of HCV through the down-regulation of viral proteins. Both of these findings served as a basis to further explore development of this drug for HCC.

In a preclinical study, Namodenoson also revealed its capability to improve liver pathology in a NAFLD/NASH animal model. The data showed:

- Namodenoson had a statistically significant reduction in NAFLD activity score compared to vehicle treated group;

- Namodenoson reduced liver-to-body weight compared to vehicle treated group;
- Representative photomicrographs of H&E-stained liver sections showed improved pathology in animals receiving Namodenoson vs. vehicle;
- Namodenoson decreased plasma serum alanine aminotransferase, or ALT, and triglycerides levels compared to vehicle treated group; and
- Liver sections from the vehicle treated group exhibited severe micro- and macrovesicular fat deposits, ballooning and inflammatory cell infiltration, whereas the Namodenoson treated group showed a significant decrease in steatosis, ballooning and lobular inflammation compared to the vehicle group.

In further pre-clinical studies conducted, the following was observed:

- *In vivo* studies showed that Namodenoson protected the liver against ischemic reperfusion manifested by a statistically significant ($p<0.05$) reduction in key liver enzymes, SGOT and SGPT. In addition, in studies where partial liver hepatectomy was conducted, a 45% increase in the regeneration rate of the remaining liver was observed after Namodenoson treatment, compared to placebo which regenerated only by 24%;
- In an *in vitro* study with hepato-stellate cells, Namodenoson inhibited, in a dose dependent manner, the growth and proliferation of the liver cells, supporting an anti-fibrogenic effect of the drug;
- In a CCL4 mouse model of liver fibrosis, the Namodenoson treated mice exhibited normal liver under macroscopic view, no accumulation of fluid (ascites), a low fibrosis profile, and lower serum levels of ALT compared to the vehicle treated group. In addition, liver protein and mRNA extracts revealed a significant decrease of α-SMA (α-smooth muscle actin) demonstrating an anti-fibrotic effect. Furthermore, the expression level of PI3K and p-STAT-1 were markedly decreased as well as the NKT cells;
- Namodenoson's anti-inflammatory and anti-fibrogenic effect was also demonstrated in a STAM-NASH mouse model manifested in a marked reduction in NAS and fibrosis area. Namodenoson treatment induced a decrease in CK-18 levels suggesting hepato-protective effect and at the same time up-regulated adiponectin levels, reflecting anti-fibrogenic and anti-inflammatory effects;
- Namodenoson's novel mechanism of action which entails de-regulation of three key signaling pathways which mediate the etiology and pathology of NAFLD/NASH and are responsible for the anti-inflammatory and anti-fibrogenic effect in the liver. Pre-clinical studies were conducted in hepato-stellate cells in vitro and in an experimental NASH CCL4 model, showing that in both systems, the molecular mechanism of action of Namodenoson was conferred by decreased expression levels of the signaling protein phosphoinositol-3-phosphate, or PI3K, which controls 3 downstream signal transduction pathways, the Wnt, NF-kB and α-SMA, which control liver inflammation and liver fibrosis;
- In an experimental non-alcoholic steatohepatitis (NASH) CCL4 model, Namodenoson had a highly significant effect against inflammation, necrosis, fibrosis and biliary hyperplasia, while treating the animals orally with the drug. More specifically, the liver enzymes ALT and AST were dramatically reduced and reversed to normal values upon treatment of the NASH bearing animals with Namodenoson; and
- Namodenoson showed a significant decrease in lipid production and fat accumulation utilizing 3T3-L1 adipocytes, functioning as lipid producing cells and are also responsible for fat storage. Namodenoson was also shown to inhibit the proliferation of adipocytes, further hampering the expansion of fat producing cells.

Clinical Studies of Namodenoson

The information discussed below is based on the various studies conducted by Can-Fite with Namodenoson, including clinical studies in patients with oncological and liver-related diseases and viruses.

Phase I Clinical Study

Namodenoson completed a Phase I double-blind, randomized, placebo-controlled, ascending single dose trial to evaluate the safety, tolerability, and pharmacokinetics of orally administered Namodenoson in healthy volunteers. The study was conducted in the United States under an open IND. Namodenoson was found to be safe and well-tolerated with a half-life time of 12 hours. See Figure 8.

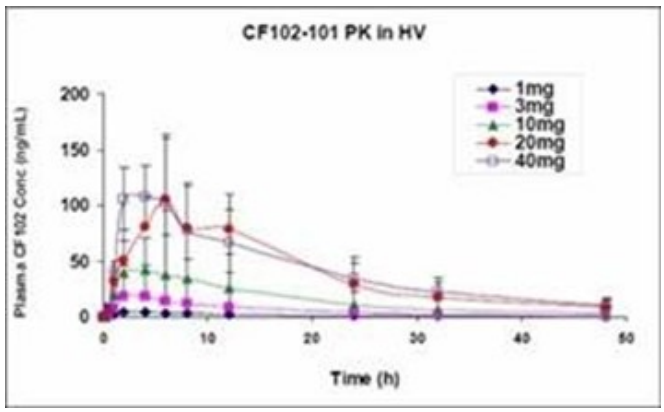


Figure 8: Half-life of orally administered Namodenoson – Phase I Clinical Study

Phase I/II and Phase II Clinical Studies

HCC/HCV

Namodenoson completed two Phase I/II studies in Israel, one in patients with HCC and another in patients with HCV. The HCC Phase I/II study was an open-label, dose-escalation study evaluating the safety, tolerability, pharmacokinetics and pharmacodynamics of orally administered Namodenoson in patients with advanced HCC. The primary objectives of the study were to determine the safety and tolerability, dose-limiting toxicities, maximum tolerated dose, and recommended Phase II dose of orally administered Namodenoson in patients with advanced HCC; and to assess the repeat-dose pharmacokinetics behavior of Namodenoson in those patients. The secondary objectives were to document any observed therapeutic effect of Namodenoson in patients with HCC and to evaluate the relationship between PBMCs and the A3AR expression at baseline, as a biomarker, and the effects of Namodenoson in patients with HCC. The study included 18 patients, nine of which were also carriers of HCV. The initial dose of Namodenoson was 1.0 mg BID, with planned dose escalations in subsequent cohorts to 5.0 and 25.0 mg BID. This Phase I/II study achieved its objectives, showing a good safety profile, or no material differences versus a placebo with respect to observed and patient-indicated side effects, for Namodenoson and a linear pharmacokinetic drug profile, with no dose-limiting toxicities at any dose level. The median overall survival time for the patients in this study was 7.8 months, which is encouraging data considering that (i) 67% of the patient population in the study had previously progressed on Nexavar, produced by Onyx Pharmaceuticals and Bayer, and that Namodenoson was a second line therapy for these patients and (ii) 28% of the patient population were Child-Pugh Class B patients (patients classified on the Child Pugh scoring system for chronic liver disease as having significantly impaired liver function) whose overall survival time is usually 3.5 to 5.5 months. Accordingly, we may also consider Namodenoson as a drug to be developed for this patient sub-population of Child-Pugh Class B patients. Namodenoson had no adverse effect on routine measures of liver function over a six-month period in 12 patients treated for at least that duration. These findings are consistent with our pre-clinical Namodenoson data which demonstrated a protective effect on normal liver tissue in an experimental model of liver inflammation. As such, Namodenoson may potentially be a safer alternative to patients with cirrhosis and/or hepatic impairment. The study also demonstrated a direct relationship between A3AR expression at baseline and patients' response to Namodenoson, suggesting A3AR as a predictive biological marker. We also observed a decrease in the viral load of seven out of nine patients who were also carriers of HCV. The most commonly reported adverse events included loss of appetite, ascites, nausea, diarrhea, constipation and pain. However, many of these events are expected in a population of patients with advanced HCC. The most frequently reported drug-related adverse events included diarrhea, fatigue, loss of appetite, pain and weakness.

Our second Phase I/II study was a randomized, double-blind, placebo-controlled, dose-escalation study evaluating the safety, tolerability, biological activity, and pharmacokinetics of orally administered Namodenoson in 32 subjects with chronic HCV genotype 1. Eligible subjects were assigned in a 3:1 ratio (eight subjects in each cohort) to receive QD or BID treatment (1.0, 5.0 and 25.0 mg of Namodenoson) for 15 days with oral Namodenoson or with a placebo. Dose escalation occurred in four sequential cohorts. The study's primary objectives were to determine the safety and tolerability of orally administered Namodenoson in patients with chronic HCV genotype 1, to assess the effects on HCV load during 15 days of treatment with Namodenoson and to assess the repeat-dose pharmacokinetic behavior of Namodenoson under the conditions of this trial. The secondary objective of this trial was to perform an exploratory evaluation of the relationship between A3AR in PBMCs at baseline and the clinical effects of Namodenoson on the study's patients. Following the decrease in HCV load that had been observed in HCV patients treated with Namodenoson in the parallel HCC study and the good safety profile of Namodenoson, we received Israeli Institutional Review Board, or IRB, approval to extend the treatment period of the Phase I/II in patients with HCV to four months with the 1.0 mg dose vs. the placebo. The results of this Phase I/II HCV study demonstrated a good safety profile and a linear pharmacokinetic drug profile, however, no significant decrease in the viral load was observed. Notwithstanding, we did observe in the parallel HCC study that seven out of the nine patients with both HCC and HCV experienced a decrease in viral load and that these seven patients were treated with higher Namodenoson dosages than what was administered to the patients with chronic HCV genotype 1 only, and not HCC, possibly explaining the difference in results. The most commonly reported adverse events included loss of appetite, ascites, nausea, diarrhea, constipation and pain. However, many of these events are expected in a population of patients with advanced HCV. The most frequently reported drug-related adverse events included diarrhea, fatigue, loss of appetite, pain and weakness.

We are conducting a Phase II study in HCC patients. In January 2013, as part of our preparatory work for such study, we announced that we believe that the optimal drug dose for the upcoming study is Namodenoson 25.0 mg. This dose was found to be the most effective dose out of the three dosages tested (1.0 mg, 5.0 mg and 25.0 mg) in the previous Phase I/II study. We filed a patent application protecting such optimal dose of Namodenoson for HCC. A publication summarizing the results of the Phase I/II study was published in "The Oncologist", a leading oncology scientific journal. We also highlighted that one patient has been treated with Namodenoson for over five years. Also as part of the Phase II study, we plan to examine the viral load of HCC patients who are also infected with HCV. If we observe a decrease in the viral load in the HCV sub-population during this forthcoming study, we intend to commence a separate Phase II study for the HCV indication.

The Phase II study is a randomized, double-blind, placebo controlled trial conducted in the United States, Europe and Israel to evaluate the efficacy and safety of Namodenoson as a second-line treatment for advanced HCC in subjects with Child-Pugh B who failed Nexavar as a first line treatment. Patients are treated twice daily with 25 mg of Namodenoson or placebo using a 2:1 randomization. The primary endpoint of the study is overall patient survival, or OS. Secondary endpoints include progression free survival, safety, and the relationship between outcomes and A3AR expression. As is standard in this indication, the primary endpoint of OS requires following the entire patient population until the statistically predetermined number of events occur. In March 2014, the study protocol was approved by the IRB at the Rabin Medical Center in Israel and in December 2014, we dosed the first patient at the study's Israeli site. In the third quarter of 2017, we announced that we completed enrollment and randomization of all 78 patients. We anticipate data release to occur in the first quarter of 2019.

NAFLD/NASH

We are conducting a Phase II multicenter, randomized, double-blinded, placebo-controlled, dose-finding study of the efficacy and safety of Namodenoson in the treatment of NAFLD and NASH. We plan to enroll approximately 60 patients with NAFLD, with or without NASH, in three arms, including two different dosages of Namodenoson and a placebo, given via oral tablets twice daily.

The study's primary endpoints are the mean percent change from baseline in ALT levels and safety. The secondary endpoint is percent change from baseline in hepatic steatosis measured by magnetic resonance imaging determined by proton-density fat-fraction and additional metabolic parameters. In addition, an assessment of the pharmacokinetics of Namodenoson and the A3AR biomarker will be evaluated prior to treatment and its correlation to patients' response to the drug will be analyzed upon study conclusion. Furthermore, the exploratory objective of this study is to evaluate the effects of Namodenoson on relevant biomarkers, such as adiponectin, leptin, C-reactive protein, and liver stiffness as determined by Fibroscan. The study is being conducted at the Hadassah Medical Center and Rabin Medical Center and we aim to data release in the third quarter of 2019.

Additional Developments with Namodenoson

Anti-Obesity

In January 2019, we announced new pre-clinical findings demonstrating that Namodenoson, inhibits lipid production and fat accumulation in adipocytes (lipid producing cells). More specifically, Namodenoson showed a significant decrease in lipid production and fat accumulation utilizing 3T3-L1 adipocytes, functioning as lipid producing cells and are also responsible for fat storage. Namodenoson was also shown to inhibit the proliferation of adipocytes, further hampering the expansion of fat producing cells. These findings together with the excellent safety profile of Namodenoson support its potential utilization as an anti-obesity drug. A patent application for the utilization of Namodenoson as an anti-obesity drug has been filed.

JC Virus

In April 2011, we announced that, in laboratory study, Namodenoson inhibited the reproduction of the JC virus, a type of polyomavirus, which is dormant in approximately 70% to 90% of the world population. However, in patients treated with biological drugs, including monoclonal antibody therapeutics, such as anti-TNFs or anti-CD20, JC virus replication may occur, resulting in development of progressive multifocal leukoencephalopathy, or PML, which is characterized by progressive damage or inflammation of the white matter of the brain and, eventually, death. The ability of Namodenoson to suppress the JC virus culture, as indicated in the laboratory study, may indicate that it may be used for the treatment of PML as a combination therapy with biological drugs. As Namodenoson is already in various stages of clinical development for other indications, its efficacy for this new application may be tested in clinical trials.

CF602

The allosteric modulator, CF602, is our third drug candidate in its pipeline. CF602 is an orally bioavailable small molecule, which enhances the affinity of the natural ligand, adenosine, to its A3AR. The advantage of this molecule is its capability to target specific areas where adenosine levels are increased. Normal body cells and tissues are refractory to allosteric modulators. This approach complements the basic platform technology of Can-Fite, utilizing the Gi coupled protein A3AR as a potent target in inflammatory diseases. CF602 has demonstrated proof of concept for anti-inflammatory activity in *in vitro* and *in vivo* studies performed by us.

During clinical studies conducted with our product candidates, other than CF602, patients suffering from sexual dysfunction reported that they returned to normal functioning following the treatment with such drugs. We believe that these findings are correlated with our platform technology, which is the targeting of the A3AR. Adenosine, like nitric oxide, is a potent and short-lived vaso-relaxant that functions via intracellular signaling (in particular, through cAMP) to promote smooth muscle relaxation. Recent studies conducted by others show that adenosine functions to relax the corpus cavernosum and thereby promote penile erection.

CF602 was tested in an experimental animal model of diabetic rats, which similar to diabetic patients, suffer from sexual dysfunction. Erectile dysfunction was assessed by monitoring the ratio between intra-cavernosal pressure, or ICP, and mean arterial pressure, or MAP, as a physiological index of erectile function. The ICP/MAP for the CF602 treated group improved by 118% over the placebo group. This data is similar to that achieved earlier by sildenafil (Viagra) in preclinical studies. In addition, treatment with CF602 reversed smooth muscle and endothelial damage, in a dose dependent manner, leading to the improvement in erectile dysfunction.

Further studies of CF602 have revealed that CF602 restores the impaired vascular endothelial growth factor system in the penis of diabetes mellitus rats, thereby inducing an increase in nitric oxide resulting in significant improvement of penile erection compared to placebo. This mechanism of action is similar to that of sildenafil, with CF602 demonstrating effects on erection superior to that demonstrated by sildenafil in animal studies. Among the most important factors to affect erectile function is nitric oxide, which is released by endothelial cells that line the corpus cavernosum and control smooth muscle relaxation and vascular inflow. It has been well established that release of nitric oxide is diminished in diabetes.

In addition, CF602 induced a dose-dependent, linear effect in a diabetic mellitus rat model after treatment with one single dose of CF602. One hour after dosing, sexual function was measured. Statistically significant full recovery from erectile dysfunction took place in rats treated with a 500 μ/kg dose.

According to the American Diabetes Association, approximately 30 million children and adults have diabetes mellitus in the United States. It is estimated that 35-75% of men with diabetes mellitus suffer from erectile dysfunction.

In November 2016, a Notice of Allowance was granted to us by the USPTO for our patent covering A3AR ligands for use in the treatment of erectile dysfunction. The patent addresses methods for treating erectile dysfunction with different A3AR ligands including our erectile dysfunction drug candidate, CF602. With this new broader patent protection, we made a strategic decision to investigate additional compounds, owned by us, for the most effective and safest profile in this indication. As such, we postponed our planned IND submission for this indication and are currently conducting efficacy and safety IND enabling studies with two additional compounds that belong to the family of allosteric molecules, similar to CF602, for the treatment of sexual dysfunction.

Commercial Biomarker Test

In March 2015, we completed the development of a commercial predictive biomarker blood test kit for A3AR. The biomarker test can be used at any molecular biology lab, where a small blood sample from a prospective patient would be tested and within just a few hours, results indicate if the patient would benefit from treatment with our drugs, which are currently in clinical trials for rheumatoid arthritis, psoriasis, and liver cancer.

The USPTO previously issued to us a patent for the utilization of A3AR as a biomarker to predict patient response to our drug Piclidenoson in autoimmune inflammatory indications.

In-Licensing Agreements

The following is a summary description of our in-licensing agreement with Leiden University. Our previously granted license with NIH expired in June 2015 with the expiration of certain patents.

Leiden University Agreements

On November 2, 2009, we entered into a license agreement, or the Leiden University Agreement, with Leiden University. Leiden University is affiliated with NIH and is the joint owner with NIH of the patents licensed pursuant to the Leiden University Agreement. The Leiden University Agreement grants an exclusive license for the use of the patents of several compounds, including CF602, that comprise certain allosteric compound drugs, and for the use, sale, production and distribution of products derived from such patents in the territory, i.e., China and certain countries in Europe (Austria, Belgium, Denmark, France, Germany, Italy, Spain, Sweden, Switzerland, Holland and England). Subject to certain conditions, we may sublicense the Leiden University Agreement. However, the U.S. government has an irrevocable, royalty-free, paid-up right to practice the patent rights throughout the territory on behalf of itself or any foreign government or international organization pursuant to any existing or future treaty or agreement to which the U.S. government is a signatory and the U.S. government may require us to grant sublicenses when necessary to fulfill health or safety needs.

Pursuant to the Leiden University Agreement, we are committed to make the following payments: (i) a one-time concession commission of 25,000 Euros; (ii) annual royalties of 10,000 Euros until clinical trials commence; (iii) 2% to 3% of net sales value, as defined in the Leiden University Agreement, received by us; (iv) royalties of up to 850,000 Euros based on certain progress milestones in the clinical stages of the products which are the subject of the patent under the Leiden University Agreement; and (v) if we sublicense the agreement, we will provide Leiden University royalties at a rate of 2-3% of net sales value, as defined in the Leiden University Agreement, and 10% of certain consideration received for granting the sublicense. In the event that we transfer to a transferee the aspect of our business involving the Leiden University Agreement, we must pay to Leiden University an assignment royalty of 10% of the consideration received for the transfer of the agreement. However, a merger, consolidation or any other change in ownership will not be viewed as an assignment of the agreement. In addition, we have agreed to bear all costs associated with the prosecution of the patents and patent applications to which we are granted a license under the Leiden University Agreement. As of December 31, 2018, we have paid approximately 115,000 Euros in royalties to Leiden University in connection with the Leiden University Agreement.

The Leiden University Agreement expires when the last of the patents expires in each country of the territory, unless earlier terminated in accordance with the terms of the Leiden University Agreement. The last of such patents is set to expire on 2027. The termination rights of the parties include, but are not limited to, (i) the non-defaulting party's right to terminate if the defaulting party does not cure within 90 days of written notice identifying the default and requesting remedy of the same; and (ii) Leiden University's right to terminate if we become insolvent, have a receiver appointed over our assets or initiate a winding-up. In addition, Leiden University may terminate the agreement when it is determined, in consultation with NIH, that termination is necessary to alleviate health and safety needs and certain other similar circumstances.

Out-Licensing and Distribution Agreements

The following are summary descriptions of certain out-licensing and distribution agreements to which we are a party.

Kwang Dong Agreements

On December 22, 2008, we entered into a license agreement with KD, or the Kwang Dong License Agreement, for the use, development and marketing of Piclidenoson in the Republic of Korea with respect to rheumatoid arthritis. In addition, the Kwang Dong License Agreement grants to KD an exclusive, royalty-free license to use certain of our trademarks, as determined from time to time, in connection with the distribution, marketing, promotion and sale of any products derived from Piclidenoson pursuant to the Kwang Dong License Agreement.

The Kwang Dong License Agreement also provides for the creation of a four member joint committee consisting of two members from each party for the purpose of serving as a joint source of experience and knowledge in Piclidenoson development and to facilitate communication and coordination between the parties with respect to such development. The joint committee will, among other things specifically identified in the Kwang Dong License Agreement, provide to the parties opinions, proposals, ideas and updates with respect to the Piclidenoson development processes conducted separately by each party.

According to the Kwang Dong License Agreement, we are entitled to receive or have received the following payments: (i) a non-refundable amount of $300,000 paid within 30 days of the effective date of the agreement; (ii) an amount of up to $1.2 million based on our compliance with certain milestones, including but not limited to, the conclusion of the Phase II clinical trial for Piclidenoson for treating rheumatoid arthritis and the receipt of various regulatory authorizations; and (iii) annual royalties of 7% of annual net sales of the licensed drug in the Republic of Korea. In addition to the amounts detailed above, we will be entitled to additional payments based on sales of raw materials to KD for the purpose of developing, producing and marketing Piclidenoson. To date, we have received a total of $500,000 from KD in an upfront payment.

The Kwang Dong License Agreement is effective until KD completes all payments required thereunder, unless it is earlier terminated as a result of a material breach not cured within the specified time frame, the breach by KD of the Kwang Dong Purchase Agreement (as defined below) or the initiation of bankruptcy or insolvency related proceedings.

Pursuant to a share purchase agreement entered into with KD at the same time as the Kwang Dong License Agreement, KD purchased 95,304 of our ordinary shares, representing approximately 1.0% of our share capital on a fully diluted basis, as of the date of the purchase, or the Kwang Dong Purchase Agreement. The shares were purchased for a premium of 50% on the shares' average closing price for the ten days preceding December 11, 2008, or a purchase price of NIS 0.455 per share.

After the TASE approved such shares for the listing for trade on January 5, 2009, the shares were allocated to KD and the transaction was finalized in January 2009. To date, KD had paid us approximately $1.3 million, which represents milestone payments pursuant to the Kwang Dong License Agreement, an advance of certain amounts to become due under the Kwang Dong License Agreement and the purchase price for the shares.

Cipher Pharmaceuticals Agreement

On March 20, 2015, we entered into a Distribution and Supply Agreement with Cipher granting Cipher the exclusive right to distribute Piclidenoson in Canada for the treatment of psoriasis and rheumatoid arthritis.

Under the Distribution and Supply Agreement, we are entitled to CAD 1.65 million upon execution of the agreement plus milestone payments upon receipt of regulatory approval by the Therapeutic Products Directorate of Health Canada, or Health Canada, for Piclidenoson and the first delivery of commercial launch quantities as follows (i) CAD 1 million upon the first approved indication for either psoriasis or rheumatoid arthritis, and (ii) CAD 1 million upon the second approved indication for either psoriasis or rheumatoid arthritis. In addition, following regulatory approval, we shall be entitled to a royalty of 16.5% of net sales of Piclidenoson in Canada and reimbursement for the cost of manufacturing Piclidenoson. We are also entitled to a royalty payment for any authorized generic of Piclidenoson that Cipher distributes in Canada. To date, we have received a total of $1,291,726 from Cipher in an upfront payment.

We are responsible for supplying Cipher with finished product for distribution and conducting product development activities while Cipher is responsible for distributing, marketing and obtaining applicable regulatory approvals in Canada. The Distribution and Supply Agreement has an initial term of fifteen years, automatically renewable for additional five-year periods and may be terminated in certain limited circumstances including certain breaches of the agreement and failure to achieve certain minimum quantities of sales during the contract period.

The timeline to regulatory submissions to Health Canada will be determined by the completion of the remaining clinical trial program.

CKD Agreement

On October 25, 2016, we entered into an exclusive Distribution Agreement with CKD for the exclusive right to distribute Namodenoson for the treatment of liver cancer in South Korea, upon receipt of regulatory approvals. The Distribution Agreement further provides that we will deliver finished product to CKD and grant CKD a right of first refusal to distribute Namodenoson for other indications for which we develop Namodenoson.

The Distribution Agreement provides for up to $3,000,000 in upfront and milestone payments payable as follows: (i) an upfront payment of $500,000 within 30 days of receipt of an invoice from us, and (ii) within 30 days of the occurrence of each of the following: (1) $500,000 upon receipt by CKD of a positive result from the preliminary review by the Ministry of Food and Drug Safety, or the MFDS, on obtaining orphan drug designation for Namodenoson in South Korea, (2) $500,000 upon successful completion of our ongoing Phase II liver cancer clinical trial for Namodenoson, (3) $1,000,000 upon the granting of marketing authorization of Namodenoson in South Korea by the MFDS, and (4) $500,000 upon registration of Namodenoson on the "reimbursement listing" in South Korea by the National Health Insurance Services in Korea. In addition, we are entitled to a royalty of 23% of net sales of Namodenoson following commercial launch in South Korea which includes the transfer price for delivering finished product to CKD. To date, we have received a total of $1,000,000 from CKD, $500,000 in upfront payments and a further $500,000 for a milestone payment received in the third quarter of 2017 upon receipt by CKD of a positive result from the preliminary review by the MFDS on obtaining orphan drug designation in South Korea.

The Distribution Agreement has an initial term of 10 years from first commercial sale and is renewable for additional 3-year periods unless either party gives notice of termination at least 6 months prior to the then current term. The Distribution Agreement may be terminated by CKD upon 30 days prior written notice if we fail to successfully complete our ongoing Phase II clinical trial for Namodenoson and we may terminate the Distribution Agreement upon 30 days prior written notice if certain commercialization milestones are not met by CKD or certain minimum quantities of sales are not made during the contract period. In addition, either party may terminate the Distribution Agreement in the event of an uncured material breach or insolvency.

Gebro Agreement

On January 8, 2018, we entered into a Distribution and Supply Agreement with Gebro, granting Gebro the exclusive right to distribute Piclidenoson in Spain, Switzerland, Liechtenstein and Austria for the treatment of psoriasis and rheumatoid arthritis.

Under the Distribution and Supply Agreement, we are entitled to €1,500,000 upon execution of the agreement plus milestone payments upon achieving certain clinical, launch and sales milestones, as follows: (i) €300,000 upon initiation of the ACRobat Phase III clinical trial for the treatment of rheumatoid arthritis and €300,000 upon the initiation of the COMFORT Phase III clinical trial for the treatment of psoriasis, (ii) between €750,000 and €1,600,000 following first delivery of commercial launch quantities of Piclidenson for either the treatment of rheumatoid arthritis or psoriasis, and (iii) between €300,000 and up to €4,025,000 upon meeting certain net sales. In addition, following regulatory approval, we shall be entitled to double digit percentage royalties on net sales of Piclidenoson in the territories and payment for the manufacturing Piclidenoson. To date, we have received a total of €2,100,000 from Gebro in upfront and milestone payments.

We are initially responsible for supplying Gebro with finished product for distribution and obtaining EMA and Swissmedic marketing approval while Gebro is responsible for distributing, marketing and obtaining pricing and reimbursement approvals in the territories. The Distribution and Supply Agreement has an initial term of fifteen years, automatically renewable for additional five-year periods and may be terminated in certain limited circumstances including certain breaches of the agreement and failure to achieve certain minimum quantities of sales during the contract period.

CMS Medical

On August 6, 2018, we entered into a License, Collaboration and Distribution Agreement with CMS Medical, for the exclusive right to develop, manufacture and commercialize Piclidenoson for the treatment of rheumatoid arthritis and psoriasis and Namodenoson for the treatment of HCC and NAFLD/NASH in China (including Hong Kong, Macau and Taiwan).

Under the License, Collaboration and Distribution Agreement, we are entitled to $2,000,000 upon execution of the agreement plus milestone payments of up to $14,000,000 upon achieving certain regulatory milestones and payments of up to $58,500,000 upon achieving certain sales milestones.

According to the agreement, CMS Medical will be responsible for the development of Piclidenoson and Namodenoson to obtain regulatory approval in China and shall be further responsible for obtaining and maintaining regulatory approval in China for the indications described above. We may, at the option of CMS Medical, supply finished product to CMS Medical.

SKK Agreement

On August 27, 2015, we entered into an agreement with Japan-based Seikagaku Corporation, or SKK, terminating its license agreement with us. SKK informed us that it is strategically focused on expanding its core research and development activities in the field of glyco-science. Under the license agreement, SKK was granted a license for the use, development and marketing of Piclidenoson in Japan with respect to inflammatory indications, except for ophthalmic disease indications. The termination agreement provides, among other things, that all licenses and rights granted to SKK terminate and all clinical and non-clinical studies conducted by SKK shall be transferred free of charge to us. Over the life of the license, we received an aggregate of approximately $8.5 million from SKK.

Total Revenues by Category of Activity and Geographic Markets

Historically, we have generated revenues from payments received pursuant to our out-licensing agreements with Gebro, Cipher, KD, CMS Medical and SKK with respect to Piclidenoson and CKD with respect to Namodenoson. We recorded revenues of $0.6 million for the year ended December 31, 2017 under the Distribution Agreement with CKD which was due to the recognition of a portion of the $0.5 million advance payment received in December 2016 under the Distribution Agreement with CKD and a payment of $0.5 million as a result of a milestone achievement. We recorded revenues of $0.6 million for the year ended December 31, 2017 under the Distribution Agreement with CKD which was due to the recognition of a portion of the $0.5 million advance payment received in December 2016 under the Distribution Agreement with CKD and a payment of $0.5 million as a result of a milestone achievement. We expect to generate future revenues through our current and potential future out-licensing arrangements with respect to Piclidenoson and Namodenoson based on the progress we make in our clinical trials.

Seasonality

Our business and operations are generally not affected by seasonal fluctuations or factors.

Raw Materials and Suppliers

We believe that the raw materials that we require to manufacture Piclidenoson, Namodenoson and CF602 are widely available from numerous suppliers and are generally considered to be generic industrial chemical supplies. We do not rely on a single or unique supplier for the current production of any therapeutic small molecule in our pipeline.

Manufacturing

We are currently manufacturing our API through a leading CRO. The relevant suppliers of our drug products are compliant with both current Good Manufacturing Practices, or cGMP, and current Good Laboratory Practices, or cGLP, and allow us to manufacture drug products for our current clinical trials. We anticipate that we will continue to rely on third parties to produce our drug products for clinical trials and commercialization.

There can be no assurance that our drug candidates, if approved, can be manufactured in sufficient commercial quantities, in compliance with regulatory requirements and at an acceptable cost. We and our contract manufacturers are, and will be, subject to extensive governmental regulation in connection with the manufacture of any pharmaceutical products or medical devices. We and our contract manufacturers must ensure that all of the processes, methods and equipment are compliant with cGMP for drugs on an ongoing basis, as mandated by the FDA and other regulatory authorities, and conduct extensive audits of vendors, contract laboratories and suppliers.

Contract Research Organizations

We outsource certain preclinical and clinical development activities to CROs, which in pre-clinical studies work according to cGMP and cGLP. We believe our clinical CROs comply with guidelines from the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use, which attempt to harmonize the FDA and the EMA regulations and guidelines. We create and implement the drug development plans and, during the preclinical and clinical phases of development, manage the CROs according to the specific requirements of the drug candidate under development.

Marketing and Sales

We do not currently have any marketing or sales capabilities. We intend to license to, or enter into strategic alliances with, larger companies in the pharmaceutical business, which are equipped to market and/or sell our products, if any, through their well-developed marketing capabilities and distribution networks. We intend to out-license some or all of our worldwide patent rights to more than one party to achieve the fullest development, marketing and distribution of any products we develop.

Intellectual Property

Our success depends in part on our ability to obtain and maintain proprietary protection for our product candidates, technology and know-how, to operate without infringing the proprietary rights of others and to prevent others from infringing our proprietary rights. Our policy is to seek to protect our proprietary position by, among other methods, filing U.S. and foreign patent applications related to our proprietary technology, inventions and improvements that we believe are important to the development of our business. We also rely on trade secrets, know-how and continuing technological innovation to develop and maintain our proprietary position.

Patents

As of February 13, 2019, we owned or exclusively licensed (from Leiden University) 11 patent families that, collectively, contain approximately 165 issued patents and pending patent applications in various countries around the world relating to our two clinical candidates, Piclidenoson and Namodenoson, and our preclinical candidate, CF602. Patents related to our drug candidates may provide future competitive advantages by providing exclusivity related to the composition of matter, formulation and method of administration of the applicable compounds and could materially improve their value. The patent positions for our leading drug candidates are described below.

With respect to our product candidates, we currently own patents and/or have patent applications pending in several countries around the world for the following families of patents:

- a family of patents which pertains to the use of substances that bind to the A3AR, including Piclidenoson and Namodenoson; the pharmaceutical uses to which such family relates include the treatment of proliferative diseases, such as cancer, psoriasis and autoimmune diseases. Such patents were granted in the United States, Europe (by the European Patent Office, or the EPO, and validated in Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, and the United Kingdom), Australia, Canada, Israel, China, Japan, South Korea, Mexico, Russia and Hong Kong. These patents are set to expire in 2020, other than the U.S. patent that will expire in 2022;

- a family of patents and a patent application which pertain to use of substances that bind to the A3AR for the treatment of viral diseases, such as AIDS and hepatitis, and which inhibit viral replication. Such patents were granted in the United States, in Europe (by the EPO and validated in France, Germany, Italy, Switzerland and the United Kingdom), Australia, China, Israel, Japan, Singapore, Canada and Hong Kong. The patent application is pending in Brazil. These patents and patent application have a filing date of January 1, 2002 and a priority date of January 16, 2001 and are set to expire in 2022, other than the U.S. patent that will expire in 2023;

- a patent which pertains to the use of A3AR agonists for the treatment of inflammatory arthritis, in particular rheumatoid arthritis. This patent was granted in the United States and is set to expire in 2023;

- a family of patents and patent applications which pertain to a method of identifying inflammation, determining its severity, and determining and monitoring the efficacy of the anti-inflammatory treatment by determining the level of A3AR expression in white blood cells as a biological marker for inflammation. These patents were granted in certain countries in the United States, Europe (by the EPO and validated in France, Germany, Italy, Spain, Switzerland and the United Kingdom), Australia, Israel, Japan, China and Mexico. The patents are set to expire in 2025. There are patent applications pending in Canada, and Brazil. Each of the patents and patent applications has a filing date of November 30, 2005 and a priority date of December 2, 2004;

- a family of patents and patent applications which pertains to the use of a specific dose level of Piclidenoson (total daily dose of 4.0 mg) for the treatment of psoriasis. Such a patent was granted in Israel, Japan, the United States, South Korea and Europe (by the EPO and validated in in Austria, Belgium, Denmark, France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland and the United Kingdom). The patent is set to expire in 2030. The patent applications are pending in the China, Hong Kong, and India each with a filing date of September 6, 2010 and a priority date of September 6, 2009;

- a family of patents and patent applications which pertain to the method for producing Piclidenoson. Such patents were granted in the United States, India, China, Japan, Israel and Europe (by the EPO and validated in in Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Monaco, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom. These patents are set to expire in 2028. A patent application is pending in India. Each patent and patent application has a filing date of March 13, 2008 and a priority date of March 14, 2007;

- a family of patents and patent applications which pertain to the use of A3AR agonists for the treatment of OA. Such patents were granted in Europe (by the EPO and validated in Austria, Belgium, Denmark, France, Germany, Italy, Spain, Sweden, Switzerland, Netherlands and the United Kingdom), Australia, Canada, South Korea, China, Israel, Japan and Mexico. The patents are set to expire in 2026. Patent applications are pending in the United States and Brazil. These patents and patent applications have a filing date of November 29, 2006 and a priority date of November 30, 2005;

- a family of patents and patent applications which pertains to the use of A3AR agonists for increasing liver cell division, intended to induce liver regeneration following injury or surgery. Such patents were granted in China, Israel, Japan, USA and Europe (by the EPO and validated in Austria, Belgium, Denmark, France, Germany, Italy, the Netherlands, Poland, Spain, Sweden, Switzerland, United Kingdom and Turkey). There is one patent application pending in the United States, which was recently allowed. Each patent or patent application in this family has a filing date of October 22, 2007 and a priority date of October 15, 2007;

- a family of patent applications which pertain to treatment of sexual dysfunction. This family includes granted patents in the United States and Japan and patent applications in Israel, Australia, China, Brazil, Canada, Europe, India, Mexico, South Korea, and the United States. The patent applications have a filing date of August 8, 2013 with priority dates of August 8, 2012 and November 12, 2012;

- a patent application in Israel which pertains to the use of A3AR ligands for managing cytokine release syndrome. This patent application has a filing date of September 17, 2017 and will serve as a priority document to an International patent application, or PCT, due to be filed no later than September 17, 2018; and

- a family of patent applications which pertain to the use of A3AR ligands for treatment of ectopic fat accumulation. This family includes a patent application in Israel and a PCT, claiming priority from this Israeli application. The PCT application has a filing date of November 22, 2016.

We currently hold an exclusive license from Leiden University of the Netherlands to a family of patents and patent applications that relate to the allosteric modulators of the A3AR, which includes the allosteric modulator CF602. This exclusive license relates to patents that were granted in the United States, China, Japan, South Korea and in Europe (validated in, Austria, Belgium, Denmark, France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland and United Kingdom). There is a patent application pending in India. These granted patents and the patents that may be granted on patent applications of this patent family are set to expire in 2027.

We believe that our owned and licensed patents provide broad and comprehensive coverage of our technology, and we intend to aggressively enforce our intellectual property rights if necessary to preserve such rights and to gain the benefit of our investment. However, as a result of the termination of the NIH license agreement between Can-Fite and NIH in June 2015 due to patent expiration, we no longer hold rights to a family of composition of matter patents relating to Piclidenoson that were licensed from NIH. Nevertheless, because Piclidenoson may be a NCE following approval of an NDA, we, if we are the first applicant to obtain NDA approval, may be entitled to five years of data exclusivity in the United States with respect to such NCEs. Analogous data and market exclusivity provisions, of varying duration, may be available in Europe and other foreign jurisdictions. We may also be entitled to the rights under Can-Fite's pharmaceutical use issued patents with respect to Piclidenoson, which provide patent exclusivity within the ophthalmic field until the mid-2020s. While we believe that we may be able to protect our exclusivity in the ophthalmic field through such use patent portfolio and such period of exclusivity, the lack of composition of matter patent protection may diminish our ability to maintain a proprietary position for our intended uses of Piclidenoson. Moreover, we cannot be certain that we will be the first applicant to obtain an FDA approval for any indication of Piclidenoson and we cannot be certain that we will be entitled to NCE exclusivity. In addition, we have discontinued the prosecution of a family of pending patent applications under joint ownership of Can-Fite and NIH pertaining to the use of A3AR agonists for the treatment of uveitis. Such diminution of our proprietary position could have a material adverse effect on our business, results of operation and financial condition.

The patent positions of companies like ours are generally uncertain and involve complex legal and factual questions. Our ability to maintain and solidify our proprietary position for our technology will depend on our success in obtaining effective claims and enforcing those claims once granted. We do not know whether any of our patent applications or those patent applications that we license will result in the issuance of any patents. Our issued patents and those that may issue in the future, or those licensed to us, may be challenged, narrowed, circumvented or found to be invalid or unenforceable, which could limit our ability to stop competitors from marketing related products or the length of term of patent protection that we may have for our products. Neither we nor our licensors can be certain that we were the first to invent the inventions claimed in our owned or licensed patents or patent applications. In addition, our competitors may independently develop similar technologies or duplicate any technology developed by us, and the rights granted under any issued patents may not provide us with any meaningful competitive advantages against these competitors. Furthermore, because of the extensive time required for development, testing and regulatory review of a potential product, before any of our products can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby reducing any advantage of the patent.

Trade Secrets

We may rely, in some circumstances, on trade secrets to protect our technology. However, trade secrets can be difficult to protect. We seek to protect our proprietary technology and processes, in part, by confidentiality agreements and assignment of inventions agreements with our employees, consultants, scientific advisors and contractors. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. While we have confidence in these individuals, organizations and systems, such agreements or security measures may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors or others.

Scientific Advisory Board

We seek advice from our Scientific Advisory Board on scientific and medical matters generally. We call for Scientific Advisory Board meetings on an as-needed basis. The following table sets forth certain information with respect to our Scientific Advisory Board member.

Name	Position/Institutional Affiliation
Nabil Hanna, Ph.D.	Former Chief Science Officer of Biogen-Idec

Clinical Advisory Board

Our Clinical Advisory Board, which consists of six members, a leading U.S.-based rheumatologist, oncologist, dermatologist, and three hepatologists, who play an active role in consulting with us with respect to clinical drug development. We call for Clinical Advisory Board meetings on an as-needed basis. The following table sets forth certain information with respect to our Clinical Advisory Board members.

Name	Position/Institutional Affiliation
Dr. Michael Weinblatt	Head, Division of Rheumatology, Immunology and Allergy, Brigham and Women's Hospital
Dr. Keith Stuart	Chairman, Department of Hematology and Oncology; Professor of Medicine, Tufts University School of Medicine; Lahey Clinic Medical Center
Dr. Jonathan Wilkin	Former Head, Dermatology Division, FDA
Dr. Scott Friedman	Dean for Therapeutic Discovery and Chief of the Division of Liver Diseases at the Icahn School of Medicine at Mount Sinai in New York
Dr. Arun Sanyal	Professor of Medicine, Physiology and Molecular Pathology at Virginia Commonwealth University School of Medicine
Dr. Rifaat Safadi	Head of the Liver Unit, Gastroenterology and Liver Diseases, Division of Medicine at Hadassah Medical Center and Professor of Internal Medicine, Bowel, Liver Disease, and Metabolic Syndrome at Hadassah University in Israel

Competition

The pharmaceutical industry is characterized by rapidly evolving technology, intense competition and a highly risky, costly and lengthy research and development process. Adequate protection of intellectual property, successful product development, adequate funding and retention of skilled, experienced and professional personnel are among the many factors critical to success in the pharmaceutical industry.

Our technology platform is based on the finding that the A3AR is highly expressed in pathological cells, such as various tumor cell types and inflammatory cells. We believe that targeting the A3AR with synthetic and highly selective A3AR agonists, such as Piclidenoson and Namodenoson, and allosteric modulators, such as CF602, induces anti-cancer and anti-inflammatory effects. Currently, our drug candidates, Piclidenoson, Namodenoson and CF602 are being developed to treat autoimmune inflammatory indications, oncology and liver diseases as well as sexual dysfunction, including but not limited to psoriasis, rheumatoid arthritis, HCC and NASH. Preclinical studies have also indicated that our drug candidates have the potential to treat additional inflammatory diseases, such as sexual dysfunction, Crohn's disease, oncological diseases and viral diseases, such as the JC virus, and obesity.

Despite the competition, however, we believe that our drug candidates have unique characteristics and advantages over certain drugs currently available on the market and under development to treat these indications. We believe that our pipeline of drug candidates has exhibited a potential for therapeutic success with respect to the treatment of autoimmune-inflammatory, oncological and liver diseases. We believe that targeting the A3AR with synthetic and highly selective A3AR agonists, such as Piclidenoson and Namodenoson, and allosteric modulators, such as CF602, induces anti-cancer and anti-inflammatory effects.

We believe the characteristics of Piclidenoson, as exhibited in our clinical studies to date, including its good safety profile, clinical activity, simple and less frequent delivery through oral administration and its low cost of production, position it well against the competition in the autoimmune-inflammatory markets, including the psoriasis and rheumatoid arthritis markets, where treatments, when available, often include injectable drugs, many of which can be highly toxic, expensive and not always effective. For example, while TNF inhibitor therapies transformed the treatment for many patients, a substantial percentage of patients (40% to 60%) do not respond to either a DMARD or biologic therapies (Simsek, 2010).

Pre-clinical pharmacology studies in different experimental animal models of arthritis revealed that Piclidenoson acts as a DMARD, which, when coupled with its good safety profile, makes it competitive in the psoriasis, rheumatoid arthritis and OA markets. Our recent findings also demonstrate that a biological predictive marker can be utilized prior to treatment with Piclidenoson, which may allow it to be used as a personalized medicine therapeutic approach for the treatment of rheumatoid arthritis, potentially leading to an improvement in response rate for patients. Like Piclidenoson, Namodenoson has a good safety profile, is orally administered and has a low cost of production, which we believe positions it well in the HCC market, where only one drug, Nexavar (sorafenib), has been approved by the FDA.

In addition, our human clinical data suggests that A3AR may be a biological marker in that high A3AR expression prior to treatment has been predictive of good patient response to our drug treatment. In fact, as a result of our research we have developed a simple blood assay to test for A3AR expression as a predictive biological marker. We hold a patent with respect to the intellectual property related to such assay and are currently utilizing this assay in our ongoing Phase IIb study of Piclidenoson for the treatment of rheumatoid arthritis.

On the other hand, other drugs on the market, new drugs under development (including drugs that are in more advanced stages of development in comparison to our drug pipeline) and additional drugs that were originally intended for other purposes, but were found effective for purposes targeted by us, may all be competitive to the current drug candidates in our pipeline. In fact, some of these drugs are well established and accepted among patients and physicians in their respective markets, are orally bioavailable, can be efficiently produced and marketed, and are relatively safe. Moreover, other companies of various sizes engage in activities similar to ours. Most, if not all, of our competitors have substantially greater financial and other resources available to them. Competitors include companies with marketed products and/or an advanced research and development pipeline. The major competitors in the arthritis and psoriasis therapeutic field include Amgen, J&J, Pfizer, Novartis, Abbvie, Celgene, Eli Lilly, Bristol-Myers, and more. Competitors in the HCC field include companies such as Bayer, Exelixis, Merck, and Bristol-Myers. Competitors in the NASH field include companies such as Gilead, Genfit, Galmed, Allergan, Intercept, and Madrigal. Competitors in the erectile dysfunction field include Pfizer, Eli Lilly and Bayer.

Moreover, several companies have reported the commencement of research projects related to the A3AR. Such companies include CV Therapeutics Inc. (which was acquired by Gilead), King Pharmaceuticals R&D Inv. (which was acquired by Pfizer), Hoechst Marion Roussel Inc., Novo Nordisk A/S and Inotek Pharmaceuticals. However, to the best of our knowledge, there is no approved drug currently on the market which is similar to our A3AR agonists, nor are we aware of any allosteric modulator in the A3AR product pipeline similar to our allosteric modulator with respect to chemical profile and mechanism of action.

Piclidenoson for the Treatment of Psoriasis

Psoriasis is a skin condition that affects 2% to 3% of the general population according to the National Psoriasis Foundation. The disease is manifested by scaly plaques on the skin and in the severe form has a major effect on the physical and emotional well-being of the patients. Topical agents are typically used for mild disease, phototherapy for moderate disease, and systemic agents for severe disease. For moderate to severe cases, systemic biologic drugs, delivered via intravenous injection, or IV, have dominated the market. According to the National Psoriasis Foundation, common side effects of biologics include respiratory infections, flu-like symptoms, and injection site reactions while rare side effects include serious nervous system disorders, such as multiple sclerosis, seizures, or inflammation of the nerves of the eyes, blood disorders, and certain types of cancer. We believe a significant need remains for novel oral and safe drugs for patients who do not respond to existing therapies or for whom these therapies are unsuitable.

The psoriasis therapeutic market is dominated by biological drugs that are primarily administered via IV and have potential side effects. Recently, a new oral small molecule inhibitor of phosphodiesterase 4, Celgene's Otezla, has gained sizable market share as a result in part due to its convenience of oral dose and comparable efficacy to the biologic drugs. In January 2015, the FDA approved Cosentyx (secukinumab) by Novartis. In March 2016, the FDA approved Taltz (ixekizumab) by Eli Lilly. The psoriasis drug market is forecast to grow to $11.4 billion in 2020, according to estimates of Visiongain.

The current common treatments for psoriasis include topical and systemic drugs, steroids, immunosuppressive drugs such as Cyclosporine A by Novartis, MTX and biological drugs. Biological drugs, such as Enbrel (etanercept) by Amgen and Pfizer, Remicade (infliximab) by Centocor, Humira (adalimumab) by Abbvie, Stelara (ustekinumab) by Janssen, Otezla (aprelimast) by Celgene, Cosentyx (secukinumab) by Novartis and Taltz (ixekizumab) by Eli Lilly have significant side effects, are expensive and patients are often not responsive. For example, some of these drugs have received an FDA "black box" warning for increased risk of cancer in children and adolescents and risk of infection with Legionella and Listeria bacteria.

Many of the current rheumatoid arthritis drugs on the market or in development are also used for the treatment of psoriasis. See "Business—Piclidenoson for the Treatment of Rheumatoid Arthritis." In addition, several therapies are in advanced clinical development for psoriasis and many others are in Phase II or earlier stages of development.

Piclidenoson for the Treatment of Rheumatoid Arthritis

Rheumatoid arthritis is a severe disease that attacks approximately 0.6% of the U.S. population, mainly women and, in particular, postmenopausal women. According to Visiongain, the world rheumatoid arthritis market size is predicted to generate revenues of $47 billion by 2024.

Many drugs are used to treat rheumatoid arthritis, including DMARDs. These include MTX, plaquenil, sulfasalazine and leflunomide, all of which are small molecule drugs with mild effectiveness. MTX is the most commonly administered DMARD for rheumatoid arthritis. It is a generic chemotherapeutic agent marketed by several manufacturers that is administered orally. Due to its relatively toxic nature, however, MTX may result in severe side effects including sores, anemia, diarrhea, nausea/vomiting, abdominal pain, bruising/bleeding, and liver problems.

The second class of DMARD includes biological drugs, such as Enbrel (etanercept) by Amgen, Remicade (infliximab) by Centocor, and Humira (adalimumab) by Abbvie. These drugs are usually administered in combination with MTX and are more effective in combination, but may have severe side effects, including risk of lymphoma and serious infection. Biological drugs are administered through injection, are generally expensive and there is no biomarker to predict the response, if any. As such, response rates typically range between 40-60% (Simsek, 2010). Steroidal drugs are also used to reduce the general activity of the immune system and for pain relief. In addition, the FDA recently approved Pfizer's Xeljanz (tofacitinib) small molecule drug, which is the first JAK inhibitor drug, or a drug that inhibits the effect of one or more of the enzymes in the janus kinase family, or a family enzymes that transfer cytokine-mediated signals, to treat rheumatoid arthritis. Moreover, several therapies, including biological drugs and small molecule drugs, are in advanced clinical development for rheumatoid arthritis including baricitninib by Eli Lilly which is pending FDA approval, while others are in Phase II or earlier stages of development.

Namodenoson for the Treatment of HCC

According to the American Cancer Society, HCC is the fifth most common form of cancer death in the U.S., the most common form of liver cancer in adults and the third most common cause of cancer-related mortality worldwide, particularly in Asia. According to the American Cancer Society, more than 700,000 people are diagnosed with liver cancer each year throughout the world and more than 600,000 persons die from liver cancer each year. Nexavar (sorafenib) by Bayer is the only approved drug for HCC and prolongs patient survival time by only a few months. According to Grand View Research, the HCC drug market is expected to reach $1.5 billion by 2022.

Several therapies are in advanced clinical development for HCC including. Some drugs under development act as a single agent and some act in combination with Nexavar or approved checkpoint inhibitors pembrolizumab and/or nivolumab. Moreover, some are first line treatments while others are second line treatments. In addition, many existing approaches are used in the treatment of unresectable liver cancer, including alcohol injection, radiofrequency ablation, chemoembolization, cryoablation and radiation therapy.

Namodenoson for the Treatment of NASH

Rates of NAFLD and NASH are increasing in the United States in concert with increasing rates of obesity and diabetes. In fact, NASH is now the third leading cause of liver transplant in the United States. It is estimated that 17-33% of Americans have fatty liver, with approximately one-third going on to develop NASH. NASH is believed to affect 2-5% of adult Americans. Despite the progression of several interesting clinical-stage candidates by companies such as Gilead, Genfit, Madrigal, Conatus, Galmed, Allergan and Intercept as well as others, there are currently no FDA approved treatment options for NASH.

By 2025, Deutsche Bank estimates the addressable pharmaceutical market for NASH will reach $35-40 billion in size.

CF602 for the Treatment of Erectile Dysfunction

According to the Massachusetts Male Aging Study in 1994, 52% of the respondents between the ages of 40 and 70 years old reported some degree of erectile dysfunction.

The most popular class of drug to treat erectile dysfunction is the phosphodiesterase type 5, or PDE5, inhibitors. These drugs block the degradative action of cyclic guanosine monophosphate, or GMP, specific PDE5 on cyclic GMP in the smooth muscle cells lining the blood vessels supplying the corpus cavernosum of the penis. An erection is caused by increased blood flow into the penis resulting from the relaxation of penile arteries and corpus cavernosal smooth muscle. This response is mediated by the release of nitric oxide from nerve terminals and endothelial cells, which stimulates the synthesis of cyclic GMP in smooth muscle cells. The inhibition of PDE5 enhances erectile function by increasing the concentration of cyclic GMP in the corpus cavernosum and pulmonary arteries.

Unfortunately, the systemic side effects of PDE5 inhibitors include a decrease in sitting blood pressure. This has resulted in warnings and precautions and contraindications of use in patients already taking antihypertensive agents like nitrates or alpha-blockers. A study published in the American Journal of Medicine (Selvin E., et al., 2007) found that persons with a history of heart disease, hypertension, and diabetes had a higher probability of impotence. A second study published in the same journal (Shah NP., et al, 2015) notes that vascular erectile dysfunction is a powerful marker of increased cardiovascular risk. We believe a significant market opportunity exists targeting erectile dysfunction patients contraindicated for use of the market leading products, Viagra and Cialis.

Grand View Research Inc. estimates the value of the erectile dysfunction therapeutic market to be approximately $3.2 billion by 2022.

Insurance

We maintain insurance for our offices and laboratory in Petah-Tikva, Israel. Our insurance program covers approximately $0.375 million of equipment and lease improvements against risk of loss, excluding damage from inventory theft. In addition, we maintain the following insurance: employer liability with coverage of approximately $5.0 million; third party liability with coverage of approximately $0.75 million; fire insurance coverage of approximately $0.725 million; natural disaster coverage of approximately $1.1 million; all risk coverage of approximately $0.02 million for electronic equipment and machinery insurance for laboratory refrigerators; and directors' and officers' liability insurance with coverage of $20.0 million per claim and $20.0 million in the aggregate and also D&O Side A DIC insurance with coverage of $5.0 million per claim and in the aggregate.

We also maintain worldwide product and clinical trial liability insurance with coverage of approximately $5 million with respect to the Piclidenoson and Namodenoson drugs used in clinical trials. We also procure additional insurance for each specific clinical trial which covers a certain number of trial participants and which varies based on the particular clinical trial. Certain of such policies are based on the Declaration of Helsinki, which is a set of ethical principles regarding human experimentation developed for the medical community by the World Medical Association, and certain protocols of the Israeli Ministry of Health.

We procure cargo marine coverage when we ship substances for our clinical studies. Such insurance is custom-fit to the special requirements of the applicable shipment, such as temperature and/or climate sensitivity. If required, we insure the substances to the extent they are stored in central depots and at clinical sites.

We believe that our insurance policies are adequate and customary for a business of our kind. However, because of the nature of our business, we cannot assure you that we will be able to maintain insurance on a commercially reasonable basis or at all, or that any future claims will not exceed our insurance coverage.

Environmental Matters

We are subject to various environmental, health and safety laws and regulations, including those governing air emissions, water and wastewater discharges, noise emissions, the use, management and disposal of hazardous, radioactive and biological materials and wastes and the cleanup of contaminated sites. We believe that our business, operations and facilities are being operated in compliance in all material respects with applicable environmental and health and safety laws and regulations. Our laboratory personnel in Israel have ongoing communication with the Israeli Ministry of Environmental Protection in order to verify compliance with relevant instructions and regulations. In addition, all of our laboratory personnel participate in instruction on the proper handling of chemicals, including hazardous substances before commencing employment, and during the course of their employment, with us. In addition, all information with respect to any chemical substance that we use is filed and stored as a Material Safety Data Sheet, as required by applicable environmental regulations. Based on information currently available to us, we do not expect environmental costs and contingencies to have a material adverse effect on us. The operation of our testing facilities, however, entails risks in these areas. Significant expenditures could be required in the future if these facilities are required to comply with new or more stringent environmental or health and safety laws, regulations or requirements. See "—Government Regulation and Funding—Israel Ministry of the Environment—Toxin Permit."

Government Regulation and Funding

We operate in a highly controlled regulatory environment. Stringent regulations establish requirements relating to analytical, toxicological and clinical standards and protocols in respect of the testing of pharmaceuticals. Regulations also cover research, development, manufacturing and reporting procedures, both pre- and post-approval. In many markets, especially in Europe, marketing and pricing strategies are subject to national legislation or administrative practices that include requirements to demonstrate not only the quality, safety and efficacy of a new product, but also its cost-effectiveness relating to other treatment options. Failure to comply with regulations can result in stringent sanctions, including product recalls, withdrawal of approvals, seizure of products and criminal prosecution.

Before obtaining regulatory approvals for the commercial sale of our product candidates, we must demonstrate through preclinical studies and clinical trials that our product candidates are safe and effective. Historically, the results from preclinical studies and early clinical trials often have not accurately predicted results of later clinical trials. In addition, a number of pharmaceutical products have shown promising results in clinical trials but subsequently failed to establish sufficient safety and efficacy results to obtain necessary regulatory approvals. We have incurred and will continue to incur substantial expense for, and devote a significant amount of time to, preclinical studies and clinical trials. Many factors can delay the commencement and rate of completion of clinical trials, including the inability to recruit patients at the expected rate, the inability to follow patients adequately after treatment, the failure to manufacture sufficient quantities of materials used for clinical trials, and the emergence of unforeseen safety issues and governmental and regulatory delays. If a product candidate fails to demonstrate safety and efficacy in clinical trials, this failure may delay development of other product candidates and hinder our ability to conduct related preclinical studies and clinical trials. Additionally, as a result of these failures, we may also be unable to obtain additional financing.

Governmental authorities in all major markets require that a new pharmaceutical product be approved or exempted from approval before it is marketed, and have established high standards for technical appraisal, which can result in an expensive and lengthy approval process. The time to obtain approval varies by country and some products are never approved. The lengthy process of conducting clinical trials, seeking approval and subsequent compliance with applicable statutes and regulations, if approval is obtained, are very costly and require the expenditure of substantial resources.

A summary of the United States, European Union and Israeli regulatory processes follow below.

United States

In the United States, the Public Health Service Act and the Federal Food, Drug, and Cosmetic Act (FDCA), as amended, and the regulations promulgated thereunder, and other federal and state statutes and regulations govern, among other things, the safety and effectiveness standards for our products and the raw materials and components used in the production of, testing, manufacture, labeling, storage, record keeping, approval, advertising and promotion of our products on a product-by-product basis.

Preclinical tests include *in vitro* and *in vivo* evaluation of the product candidate, its chemistry, formulation and stability, and animal studies to assess potential safety and efficacy. Certain preclinical tests must be conducted in compliance with good laboratory practice regulations. Violations of these regulations can, in some cases, lead to invalidation of the studies, requiring them to be replicated. After laboratory analysis and preclinical testing, testing, a sponsor files an IND to begin human testing. Typically, a manufacturer conducts a three-phase human clinical testing program which itself is subject to numerous laws and regulatory requirements, including adequate monitoring, reporting, record keeping and informed consent. In Phase I, small clinical trials are conducted to determine the safety and proper dose ranges of our product candidates. In Phase II, clinical trials are conducted to assess safety and gain preliminary evidence of the efficacy of our product candidates. In Phase III, clinical trials are conducted to provide sufficient data for the statistically valid evidence of safety and efficacy. The time and expense required for us to perform this clinical testing can vary and is substantial. We cannot be certain that we will successfully complete Phase I, Phase II or Phase III testing of our product candidates within any specific time period, if at all. Furthermore, the FDA, the Institutional Review Board responsible for approving and monitoring the clinical trials at a given site, the Data Safety Monitoring Board, where one is used, or we may suspend the clinical trials at any time on various grounds, including a finding that subjects or patients are exposed to unacceptable health risk.

If the clinical data from these clinical trials (Phases I, II and III) are deemed to support the safety and effectiveness of the candidate product for its intended use, then we may proceed to seek to file with the FDA an NDA seeking approval to market a new drug for one or more specified intended uses. We have not completed our clinical trials for any candidate product for any intended use and therefore, we cannot ascertain whether the clinical data will support and justify filing an NDA. Nevertheless, if and when we are able to ascertain that the clinical data supports and justifies filing an NDA, we intend to make such appropriate filings.

The purpose of the NDA is to provide the FDA with sufficient information so that it can assess whether it ought to approve the candidate product for marketing for specific intended uses. The fact that the FDA has designated a drug as an orphan drug for a particular intended use does not mean that the drug has been approved for marketing. Only after an NDA has been approved by the FDA is marketing appropriate. A request for orphan drug status must be filed before the NDA is filed. The orphan drug designation, though, provides certain benefits, including a seven-year period of market exclusivity subject to certain exceptions. In February 2012, the FDA granted an orphan drug status for the active moiety, or the part of the drug that is responsible for the physiological or pharmacological action of the drug substance, of Namodenoson for the treatment of HCC. Subsequently, in October 2015, the EMA granted Namodenoson orphan drug designation for the treatment of HCC. See “Business—Namodenoson”.

The NDA normally contains, among other things, sections describing the chemistry, manufacturing, and controls, non-clinical pharmacology and toxicology, human pharmacokinetics and bioavailability, microbiology, the results of the clinical trials, and the proposed labeling which contains, among other things, the intended uses of the candidate product.

We cannot take any action to market any new drug or biologic product in the United States until our appropriate marketing application has been approved by the FDA. The FDA has substantial discretion over the approval process and may disagree with our interpretation of the data submitted. The process may be significantly extended by requests for additional information or clarification regarding information already provided. As part of this review, the FDA may refer the application to an appropriate advisory committee, typically a panel of clinicians. Satisfaction of these and other regulatory requirements typically takes several years, and the actual time required may vary substantially based upon the type, complexity and novelty of the product. Government regulation may delay or prevent marketing of potential products for a considerable period of time and impose costly procedures on our activities. We cannot be certain that the FDA or other regulatory agencies will approve any of our products on a timely basis, if at all. Success in preclinical or early stage clinical trials does not assure success in later-stage clinical trials. Even if a product receives regulatory approval, the approval may be significantly limited to specific indications or uses and these limitations may adversely affect the commercial viability of the product. Delays in obtaining, or failures to obtain regulatory approvals, would have a material adverse effect on our business.

Even after we obtain FDA approval, we may be required to conduct further clinical trials (i.e., Phase IV trials) and provide additional data on safety and effectiveness. We are also required to gain separate approval for the use of an approved product as a treatment for indications other than those initially approved. In addition, side effects or adverse events that are reported during clinical trials can delay, impede or prevent marketing approval. Similarly, adverse events that are reported after marketing approval can result in additional limitations being placed on the product's use and, potentially, withdrawal of the product from the market. Any adverse event, either before or after marketing approval, can result in product liability claims against us.

As an alternate path for FDA approval of new indications or new formulations of previously-approved products, a company may file a Section 505(b)(2) NDA, instead of a "stand-alone" or "full" NDA. Section 505(b)(2) of the FDCA, was enacted as part of the Drug Price Competition and Patent Term Restoration Act of 1984, otherwise known as the Hatch-Waxman Amendments. Section 505(b)(2) permits the submission of an NDA where at least some of the information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference. Some examples of products that may be allowed to follow a 505(b)(2) path to approval are drugs that have a new dosage form, strength, route of administration, formulation or indication. The Hatch-Waxman Amendments permit the applicant to rely upon certain published nonclinical or clinical studies conducted for an approved product or the FDA's conclusions from prior review of such studies. The FDA may require companies to perform additional studies or measurements to support any changes from the approved product. The FDA may then approve the new product for all or some of the labeled indications for which the reference product has been approved, as well as for any new indication supported by the NDA. While references to nonclinical and clinical data not generated by the applicant or for which the applicant does not have a right of reference are allowed, all development, process, stability, qualification and validation data related to the manufacturing and quality of the new product must be included in an NDA submitted under Section 505(b)(2).

To the extent that the Section 505(b)(2) applicant is relying on the FDA's conclusions regarding studies conducted for an already approved product, the applicant is required to certify to the FDA concerning any patents listed for the approved product in the FDA's Orange Book publication. Specifically, the applicant must certify that: (i) the required patent information has not been filed; (ii) the listed patent has expired; (iii) the listed patent has not expired, but will expire on a particular date and approval is sought after patent expiration; or (iv) the listed patent is invalid or will not be infringed by the new product. The Section 505(b)(2) application also will not be approved until any non-patent exclusivity, such as exclusivity for obtaining approval of a new chemical entity, listed in the Orange Book for the reference product has expired. Thus, the Section 505(b)(2) applicant may invest a significant amount of time and expense in the development of its products only to be subject to significant delay and patent litigation before its products may be commercialized.

In addition to regulating and auditing human clinical trials, the FDA regulates and inspects equipment, facilities, laboratories and processes used in the manufacturing and testing of such products prior to providing approval to market a product. If after receiving FDA approval, we make a material change in manufacturing equipment, location or process, additional regulatory review and approval may be required. We also must adhere to cGMP regulations and product-specific regulations enforced by the FDA through its facilities inspection program. The FDA also conducts regular, periodic visits to re-inspect our equipment, facilities, laboratories and processes following the initial approval. If, as a result of these inspections, the FDA determines that our equipment, facilities, laboratories or processes do not comply with applicable FDA regulations and conditions of product approval, the FDA may seek civil, criminal or administrative sanctions and/or remedies against us, including the suspension of our manufacturing operations.

We have currently received no approvals to market our products from the FDA or other foreign regulators.

We are also subject to various federal, state and international laws pertaining to healthcare "fraud and abuse," including anti-kickback laws and false claims laws. The federal Anti-kickback law, which governs federal healthcare programs (e.g., Medicare, Medicaid), makes it illegal to solicit, offer, receive or pay any remuneration in exchange for, or to induce, the referral of business, including the purchase or prescription of a particular drug. Many states have similar laws that are not restricted to federal healthcare programs. Federal and state false claims laws prohibit anyone from knowingly and willingly presenting, or causing to be presented for payment to third party payers (including Medicare and Medicaid), claims for reimbursement, including claims for the sale of drugs or services, that are false or fraudulent, claims for items or services not provided as claimed, or claims for medically unnecessary items or services. If the government or a whistleblower were to allege that we violated these laws there could be a material adverse effect on us, including our stock price. Even an unsuccessful challenge could cause adverse publicity and be costly to respond to, which could have a materially adverse effect on our business, results of operations and financial condition. A finding of liability under these laws can have significant adverse financial implications for us and can result in payment of large penalties and possible exclusion from federal healthcare programs. We will consult counsel concerning the potential application of these and other laws to our business and our sales, marketing and other activities and will make good faith efforts to comply with them. However, given their broad reach and the increasing attention given by law enforcement authorities, we cannot assure you that some of our activities will not be challenged or deemed to violate some of these laws.

European Union

Regulation and Marketing Authorization in the European Union

The process governing approval of medicinal products in the European Union follows essentially the same lines as in the United States and, likewise, generally involves satisfactorily completing each of the following:

- preclinical laboratory tests, animal studies and formulation studies all performed in accordance with the applicable E.U. Good Laboratory Practice regulations;
- submission to the relevant national authorities of a clinical trial application, or CTA, which must be approved before human clinical trials may begin;
- performance of adequate and well-controlled clinical trials to establish the safety and efficacy of the product for each proposed indication;
- submission to the relevant competent authorities of a marketing authorization application, or MAA, which includes the data supporting safety and efficacy as well as detailed information on the manufacture and composition of the product in clinical development and proposed labelling;
- satisfactory completion of an inspection by the relevant national authorities of the manufacturing facility or facilities, including those of third parties, at which the product is produced to assess compliance with strictly enforced current cGMP;
- potential audits of the non-clinical and clinical trial sites that generated the data in support of the MAA; and
- review and approval by the relevant competent authority of the MAA before any commercial marketing, sale or shipment of the product.

Preclinical Studies

Preclinical tests include laboratory evaluations of product chemistry, formulation and stability, as well as studies to evaluate toxicity in animal studies, in order to assess the potential safety and efficacy of the product. The conduct of the preclinical tests and formulation of the compounds for testing must comply with the relevant E.U. and/or Member States' regulations and requirements. The results of the preclinical tests, together with relevant manufacturing information and analytical data, are submitted as part of the CTA.

Clinical Trial Approval

Requirements for the conduct of clinical trials in the European Union including Good Clinical Practice, or GCP, are implemented in the Clinical Trials Directive 2001/20/EC and the GCP Directive 2005/28/EC. Pursuant to Directive 2001/20/EC and Directive 2005/28/EC, as amended, a system for the approval of clinical trials in the European Union has been implemented through national legislation of the member states. Under this system, approval must be obtained from the competent national authority of an E.U. member state in which a study is planned to be conducted, or in multiple member states if the clinical trial is to be conducted in a number of member states. To this end, a CTA is submitted, which must be supported by an investigational medicinal product dossier, or IMPD, and further supporting information prescribed by Directive 2001/20/EC and Directive 2005/28/EC and other applicable guidance documents. Furthermore, a clinical trial may only be started after a competent ethics committee has issued a favorable opinion on the clinical trial application in that country.

In April 2014, a new Clinical Trials Regulation, (EU) No 536/2014 was adopted which will replace the current Clinical Trials Directive 2001/20/EC. To ensure that the rules for clinical trials are identical throughout the European Union, the new E.U. clinical trials legislation was passed as a "regulation" that is directly applicable in all E.U. member states. All clinical trials performed in the European Union are required to be conducted in accordance with the Clinical Trials Directive 2001/20/EC until the new Clinical Trials Regulation (EU) No 536/2014 becomes applicable, which is connected to the functioning of the new E.U. Clinical Trails Database and has therefore been postponed several times. It is currently expected to be in late 2019 or 2020.

The new Regulation (EU) No 536/2014 aims to harmonize, simplify and streamline the approval of clinical trials in the European Union. The main characteristics of the Regulation include:

- A streamlined application procedure via a single entry point, the E.U. portal;
- A single set of documents to be prepared and submitted for the application as well as simplified reporting procedures that will spare sponsors from submitting broadly identical information separately to various bodies and different member states;
- A harmonized procedure for the assessment of applications for clinical trials, which is divided in two parts. Part I is assessed jointly by all member states concerned. Part II is assessed separately by each member state concerned;
- Strictly defined deadlines for the assessment of clinical trial application; and
- The involvement of the ethics committees in the assessment procedure in accordance with the national law of the member state concerned but within the overall timelines defined by the Regulation (EU) No 536/2014.

Marketing Authorization

Authorization to market a product in the member states of the European Union proceeds under one of four procedures: a centralized authorization procedure, a mutual recognition procedure, a decentralized procedure or a national procedure.

Centralized Authorization Procedure

The centralized procedure enables applicants to obtain a marketing authorization that is valid in all E.U. member states based on a single application. Certain medicinal products, including products developed by means of biotechnological processes, must undergo the centralized authorization procedure for marketing authorization, which, if granted by the European Commission, is automatically valid in all 28 E.U. member states. The EMA and the European Commission administer this centralized authorization procedure pursuant to Regulation (EC) No 726/2004.

Pursuant to Regulation (EC) No 726/2004, this procedure is inter alia mandatory for:

- medicinal products developed by means of one of the following biotechnological processes:
  - recombinant DNA technology;
  - controlled expression of genes coding for biologically active proteins in prokaryotes and eukaryotes including transformed mammalian cells; and
  - hybridoma and monoclonal antibody methods;
- advanced therapy medicinal products as defined in Article 2 of Regulation (EC) No. 1394/2007 on advanced therapy medicinal products;
- medicinal products for human use containing a new active substance that, on the date of effectiveness of this regulation, was not authorized in the European Union, and for which the therapeutic indication is the treatment of any of the following diseases:
  - acquired immune deficiency syndrome;
  - cancer;
  - neurodegenerative disorder;
  - diabetes;
  - auto-immune diseases and other immune dysfunctions; and
  - viral diseases; and
- medicinal products that are designated as orphan medicinal products pursuant to Regulation (EC) No 141/2000.

The centralized authorization procedure is optional for other medicinal products if they contain a new active substance or if the applicant shows that the medicinal product concerned constitutes a significant therapeutic, scientific or technical innovation or that the granting of authorization is in the interest of patients in the European Union.

Administrative Procedure

Under the centralized authorization procedure, the EMA's Committee for Human Medicinal Products, or CHMP, serves as the scientific committee that renders opinions about the safety, efficacy and quality of medicinal products for human use on behalf of the EMA. The CHMP is composed of experts nominated by each member state's national authority for medicinal products, with expert appointed to act as Rapporteur for the co-ordination of the evaluation with the possible assistance of a further member of the Committee acting as a Co-Rapporteur. After approval, the Rapporteur(s) continue to monitor the product throughout its life cycle. The CHMP has 210 days to adopt an opinion as to whether a marketing authorization should be granted. The process usually takes longer in case additional information is requested, which triggers clock-stops in the procedural timelines. The process is complex and involves extensive consultation with the regulatory authorities of member states and a number of experts. When an application is submitted for a marketing authorization in respect of a drug that is of major interest from the point of view of public health and in particular from the viewpoint of therapeutic innovation, the applicant may pursuant to Article 14(9) Regulation (EC) No 726/2004 request an accelerated assessment procedure. If the CHMP accepts such request, the time-limit of 210 days will be reduced to 150 days but it is possible that the CHMP can revert to the standard time-limit for the centralized procedure if it considers that it is no longer appropriate to conduct an accelerated assessment. Once the procedure is completed, a European Public Assessment Report, or EPAR, is produced. If the opinion is negative, information is given as to the grounds on which this conclusion was reached. After the adoption of the CHMP opinion, a decision on the MAA must be adopted by the European Commission, after consulting the E.U. member states.

Conditional Approval

In specific circumstances, E.U. legislation (Article 14(7) Regulation (EC) No 726/2004 and Regulation (EC) No 507/2006 on Conditional Marketing Authorisations for Medicinal Products for Human Use) enables applicants to obtain a conditional marketing authorization prior to obtaining the comprehensive clinical data required for an application for a full marketing authorization. Such conditional approvals may be granted for product candidates (including medicines designated as orphan medicinal products) if (1) the risk-benefit balance of the product candidate is positive, (2) it is likely that the applicant will be in a position to provide the required comprehensive clinical trial data, (3) the product fulfills unmet medical needs and (4) the benefit to public health of the immediate availability on the market of the medicinal product concerned outweighs the risk inherent in the fact that additional data are still required. A conditional marketing authorization may contain specific obligations to be fulfilled by the marketing authorization holder, including obligations with respect to the completion of ongoing or new studies, and with respect to the collection of pharmacovigilance data. Conditional marketing authorizations are valid for one year, and may be renewed annually, if the risk-benefit balance remains positive, and after an assessment of the need for additional or modified conditions and/or specific obligations. The timelines for the centralized procedure described above also apply with respect to the review by the CHMP of applications for a conditional marketing authorization.

Marketing Authorization under Exceptional Circumstances

Under Article 14(8) Regulation (EC) No 726/2004, products for which the applicant can demonstrate that comprehensive data (in line with the requirements laid down in Annex I of Directive 2001/83/EC, as amended) cannot be provided (due to specific reasons foreseen in the legislation) might be eligible for marketing authorization under exceptional circumstances. This type of authorization is reviewed annually to reassess the risk-benefit balance. The fulfillment of any specific procedures/obligations imposed as part of the marketing authorization under exceptional circumstances is aimed at the provision of information on the safe and effective use of the product and will normally not lead to the completion of a full dossier/approval.

Market Authorizations Granted by Authorities of E.U. Member States

In general, if the centralized procedure is not followed, there are three alternative procedures as prescribed in Directive 2001/83/EC:

- The decentralized procedure allows applicants to file identical applications to several E.U. member states and receive simultaneous national approvals based on the recognition by E.U. member states of an assessment by a reference member state;
- The national procedure is only available for products intended to be authorized in a single E.U. member state; and
- A mutual recognition procedure similar to the decentralized procedure is available when a marketing authorization has already been obtained in at least one E.U. member state.

A marketing authorization may be granted only to an applicant established in the European Union.

Pediatric Studies

Prior to obtaining a marketing authorization in the European Union, applicants have to demonstrate compliance with all measures included in an EMA-approved Paediatric Investigation Plan, or PIP, covering all subsets of the paediatric population, unless the EMA has granted a product-specific waiver, a class waiver, or a deferral for one or more of the measures included in the PIP. The respective requirements for all marketing authorization procedures are set forth in Regulation (EC) No 1901/2006, which is referred to as the Pediatric Regulation. This requirement also applies when a company wants to add a new indication, pharmaceutical form or route of administration for a medicine that is already authorized. The Pediatric Committee of the EMA, or PDCO, may grant deferrals for some medicines, allowing a company to delay development of the medicine in children until there is enough information to demonstrate its effectiveness and safety in adults. The PDCO may also grant waivers when development of a medicine in children is not needed or is not appropriate, such as for diseases that only affect the elderly population.

Before a marketing authorization application can be filed, or an existing marketing authorization can be amended, the EMA determines that companies actually comply with the agreed studies and measures listed in each relevant PIP.

Periods of Authorization and Renewals

A marketing authorization is valid for five years in principle and the marketing authorization may be renewed after five years on the basis of a re-evaluation of the risk-benefit balance by the competent authority of the authorizing member state. To this end, the marketing authorization holder must provide the EMA or the competent authority with a consolidated version of the file in respect of quality, safety and efficacy, including all variations introduced since the marketing authorization was granted, at least six months before the marketing authorization ceases to be valid. Once renewed, the marketing authorization is valid for an unlimited period, unless the European Commission or the competent authority decides, on justified grounds relating to pharmacovigilance, to proceed with one additional five-year renewal. Any authorization which is not followed by the actual placing of the drug on the E.U. market (in case of centralized procedure) or on the market of the authorizing member state within three years after authorization ceases to be valid (the so-called sunset clause).

Orphan Drug Designation and Exclusivity

Pursuant to Regulation (EC) No 141/2000 and Regulation (EC) No. 847/2000, the European Commission can grant such orphan medicinal product designation to products for which the sponsor can establish that it is intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition affecting not more than five in 10,000 people in the European Union, or a life threatening, seriously debilitating or serious and chronic condition in the European Union and with regards to that without incentives it is unlikely that sales of the drug in the European Union would generate a sufficient return to justify the necessary investment. In addition, the sponsor must establish that there is no other satisfactory method approved in the European Union of diagnosing, preventing or treating the condition, or if such a method exists, the proposed orphan drug will be of significant benefit to patients.

Orphan drug designation is not a marketing authorization. It is a designation that provides a number of benefits, including fee reductions, regulatory assistance, and the possibility to apply for a centralized E.U. marketing authorization, as well as ten years of market exclusivity following a marketing authorization. During this market exclusivity period, neither the EMA, the European Commission nor the member states can accept an application or grant a marketing authorization for a “similar medicinal product.” A “similar medicinal product” is defined as a medicinal product containing a similar active substance or substances as those contained in an authorized orphan medicinal product and that is intended for the same therapeutic indication. The market exclusivity period for the authorized therapeutic indication may be reduced to six years if, at the end of the fifth year, it is established that the orphan designation criteria are no longer met, including where it is shown that the product is sufficiently profitable not to justify maintenance of market exclusivity. In addition, a competing similar medicinal product may in limited circumstances be authorized prior to the expiration of the market exclusivity period, including if the marketing authorization holder is unable to supply sufficient quantities or the product or if the competing product is shown to be safer, more effective or otherwise clinically superior to the already approved orphan drug. Furthermore, a product can lose orphan designation, and the related benefits, prior to us obtaining a marketing authorization if it is demonstrated that the orphan designation criteria are no longer met.

Regulatory Data Protection

E.U. legislation also provides for a system of regulatory data and market exclusivity. According to Article 14(11) of Regulation (EC) No 726/2004, as amended, and Article 10(1) of Directive 2001/83/EC, as amended, upon receiving marketing authorization, new chemical entities approved on the basis of a complete independent data package benefit from eight years of data exclusivity and an additional two years of market exclusivity. Data exclusivity prevents regulatory authorities in the European Union from referencing the innovator's data to assess a generic (abbreviated) application. During the additional two-year period of market exclusivity, a generic marketing authorization can be submitted, and the innovator's data may be referenced, but no generic medicinal product can be marketed until the expiration of the market exclusivity. The overall ten-year period will be extended to a maximum of 11 years if, during the first eight years of those ten years, the marketing authorization holder, or MAH, obtains an authorization for one or more new therapeutic indications which, during the scientific evaluation prior to their authorization, are held to bring a significant clinical benefit in comparison with existing therapies. Even if a compound is considered to be a new chemical entity and the innovator is able to gain the period of data exclusivity, another company nevertheless could also market another version of the drug if such company obtained marketing authorization based on an MAA with a complete independent data package of pharmaceutical test, preclinical tests and clinical trials. However, products designated as orphan medicinal products enjoy, upon receiving marketing authorization, a period of ten years of orphan market exclusivity —see also *Orphan Drug Designation and Exclusivity*. Depending upon the timing and duration of the E.U. marketing authorization process, products may be eligible for up to five years' supplementary protection certificates, or SPCs, pursuant to Regulation (EC) No 469/2009. Such SPCs extend the rights under the basic patent for the drug (see below sub *Patent Term Extension*).

Regulatory Requirements After a Marketing Authorization has been Obtained

If we obtain authorization for a medicinal product in the European Union, we will be required to comply with a range of requirements applicable to the manufacturing, marketing, promotion and sale of medicinal products:

Pharmacovigilance and other requirements

We will, for example, have to comply with the E.U.'s stringent pharmacovigilance or safety reporting rules, pursuant to which post-authorization studies and additional monitoring obligations can be imposed. Other requirements relate, for example, to the manufacturing of products and APIs in accordance with good manufacturing practice standards. E.U. regulators may conduct inspections to verify our compliance with applicable requirements, and we will have to continue to expend time, money and effort to remain compliant. Non-compliance with E.U. requirements regarding safety monitoring or pharmacovigilance, and with requirements related to the development of products for the pediatric population, can also result in significant financial penalties in the European Union. Similarly, failure to comply with the E.U.'s requirements regarding the protection of individual personal data can also lead to significant penalties and sanctions. Individual E.U. member states may also impose various sanctions and penalties in case we do not comply with locally applicable requirements.

Manufacturing

The manufacturing of authorized drugs, for which a separate manufacturer's license is mandatory, must be conducted in strict compliance with the EMA's Good Manufacturing Practices, or cGMP, requirements and comparable requirements of other regulatory bodies in the European Union, which mandate the methods, facilities and controls used in manufacturing, processing and packing of drugs to assure their safety and identity. The EMA enforces its current cGMP requirements through mandatory registration of facilities and inspections of those facilities. The EMA may have a coordinating role for these inspections while the responsibility for carrying them out rests with the member states competent authority under whose responsibility the manufacturer falls. Failure to comply with these requirements could interrupt supply and result in delays, unanticipated costs and lost revenues, and could subject the applicant to potential legal or regulatory action, including but not limited to warning letters, suspension of manufacturing, seizure of product, injunctive action or possible civil and criminal penalties.

Marketing and Promotion

The marketing and promotion of authorized drugs, including industry-sponsored continuing medical education and advertising directed toward the prescribers of drugs and/or the general public, are strictly regulated in the European Union under Directive 2001/83/EC. The applicable regulations aim to ensure that information provided by holders of marketing authorizations regarding their products is truthful, balanced and accurately reflects the safety and efficacy claims authorized by the EMA or by the competent authority of the authorizing member state. Failure to comply with these requirements can result in adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties.

Patent Term Extension

In order to compensate the patentee for delays in obtaining a marketing authorization for a patented product, a supplementary certificate, or SPC, may be granted extending the exclusivity period for that specific product by up to five years. Applications for SPCs must be made to the relevant patent office in each E.U. member state and the granted certificates are valid only in the member state of grant. An application has to be made by the patent owner within six months of the first marketing authorization being granted in the European Union (assuming the patent in question has not expired, lapsed or been revoked) or within six months of the grant of the patent (if the marketing authorization is granted first). In the context of SPCs, the term "product" means the active ingredient or combination of active ingredients for a medicinal product and the term "patent" means a patent protecting such a product or a new manufacturing process or application for it. The duration of an SPC is calculated as the difference between the patent's filing date and the date of the first marketing authorization, minus five years, subject to a maximum term of five years.

A six month pediatric extension of an SPC may be obtained where the patentee has carried out an agreed pediatric investigation plan, the authorized product information includes information on the results of the studies and the product is authorized in all member states of the European Union.

Israel

Israel Ministry of the Environment — Toxin Permit

In accordance with the Israeli Dangerous Substance Law — 1993, the Ministry of the Environment may grant a permit in order to use toxic materials. Because we utilize toxic materials in the course of operation of our laboratories, we were required to apply for a permit to use these materials. Our current toxin permit will remain in effect until January 2020.

Other Licenses and Approvals

We have a business license from the municipality of Petah-Tikva for a drug development research laboratory located at our offices in Petah Tikva, Israel. In order to obtain this license, we also received approval from the Petah-Tikva Association of Towns Fire Department. The business license is valid until December 31, 2019. We also have a radioactive materials or products containing radioactive materials license, which is valid until July 25, 2019.

In 2002, we received approval from the National Council on Animal Experiments, approving us as an institution authorized to conduct experiments on animals.

Clinical Testing in Israel

In order to conduct clinical testing on humans in Israel, special authorization must first be obtained from the ethics committee and general manager of the institution in which the clinical studies are scheduled to be conducted, as required under the Guidelines for Clinical Trials in Human Subjects implemented pursuant to the Israeli Public Health Regulations (Clinical Trials in Human Subjects), as amended from time to time, and other applicable legislation. These regulations also require authorization from the Israeli Ministry of Health, except in certain circumstances, and in the case of genetic trials, special fertility trials and similar trials, an additional authorization of the overseeing institutional ethics committee. The institutional ethics committee must, among other things, evaluate the anticipated benefits that are likely to be derived from the project to determine if it justifies the risks and inconvenience to be inflicted on the human subjects, and the committee must ensure that adequate protection exists for the rights and safety of the participants as well as the accuracy of the information gathered in the course of the clinical testing. Since we intend to perform a portion of the clinical studies on certain of our product candidates in Israel, we will be required to obtain authorization from the ethics committee and general manager of each institution in which we intend to conduct our clinical trials, and in most cases, from the Israeli Ministry of Health.

Israel Ministry of Health

Israel's Ministry of Health, which regulates medical testing, has adopted protocols that correspond, generally, to those of the FDA and the EMA, making it comparatively straightforward for studies conducted in Israel to satisfy FDA and the European Medicines Agency requirements, thereby enabling medical technologies subjected to clinical trials in Israel to reach U.S. and EU commercial markets in an expedited fashion. Many members of Israel's medical community have earned international prestige in their chosen fields of expertise and routinely collaborate, teach and lecture at leading medical centers throughout the world. Israel also has free trade agreements with the United States and the European Union.

Other Countries

In addition to regulations in the United States, the EU and Israel, we are subject to a variety of other regulations governing clinical trials and commercial sales and distribution of drugs in other countries. Whether or not our products receive approval from the FDA, approval of such products must be obtained by the comparable regulatory authorities of countries other than the United States before we can commence clinical trials or marketing of the product in those countries. The approval process varies from country to country, and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials and product licensing vary greatly from country to country.

The requirements that we and our collaborators must satisfy to obtain regulatory approval by government agencies in other countries prior to commercialization of our products in such countries can be rigorous, costly and uncertain. In Canada and Australia, regulatory requirements and approval processes are similar in principle to those in the United States. For example, in Canada, pharmaceutical product candidates are regulated by the Food and Drugs Act and the rules and regulations promulgated thereunder, which are enforced by Health Canada. Before commencing clinical trials in Canada, an applicant must complete preclinical studies and file a clinical trial application with Health Canada. After filing a clinical trial application, the applicant must receive different clearance authorizations to proceed with Phase 1 clinical trials, which can then lead to Phase 2 and Phase 3 clinical trials. To obtain regulatory approval to commercialize a new drug in Canada, a new drug submission, or NDS, must be filed with Health Canada. If the NDS demonstrates that the product was developed in accordance with the regulatory authorities' rules, regulations and guidelines and demonstrates favorable safety and efficacy and receives a favorable risk/benefit analysis, Health Canada issues a notice of compliance which allows the applicant to market the product. Facilities, procedures, operations and/or testing of products are subject to periodic inspection by Health Canada and the Health Products and Food Branch Inspectorate. In addition, Health Canada conducts pre-approval and post-approval reviews and plant inspections to determine whether systems are in compliance with the good manufacturing practices in Canada, Drug Establishment Licensing requirements and other provisions of the Food and Drug Regulations.

Foreign governments also have stringent post-approval requirements including those relating to manufacture, labeling, reporting, record keeping and marketing. Failure to substantially comply with these on-going requirements could lead to government action against the product, our company and/or our representatives.

Related Matters

From time to time, legislation is drafted, introduced and passed in governmental bodies that could significantly change the statutory provisions governing the approval, manufacturing and marketing of products regulated by the FDA, the EMA, the Israeli Ministry of Health and other applicable regulatory bodies to which we are subject. In addition, regulations and guidance are often revised or reinterpreted by the national agency in ways that may significantly affect our business and our product candidates. It is impossible to predict whether such legislative changes will be enacted, whether FDA, EMA or Israeli Ministry of Health regulations, guidance or interpretations will change, or what the impact of such changes, if any, may be. We may need to adapt our business and product candidates and products to changes that occur in the future.

Organizational Structure

Our corporate structure consists of Can-Fite and two wholly owned subsidiaries which are both inactive: Ultratrend Limited, incorporated in England and Wales, and Eye-Fite Limited, incorporated in Israel.

Property, Plants and Equipment

We are headquartered in Petah-Tikva, Israel. We lease one floor in one facility pursuant to a lease agreement with Eshkolit Nihul Nadlan LTD, an Israeli limited company, that pursuant to a verbal agreement expires on December 31, 2019. The Petah-Tikva headquarters consists of approximately 300 square meters of space with eight parking spaces. Lease payments are approximately NIS 20,447, or $5,318, per month. If our lease is terminated, we do not foresee significant difficulty in leasing another suitable facility. The current facility houses both our administrative, clinical and research operations. The research laboratory consists of approximately 150 square meters and includes a tissue culture laboratory and a molecular biology laboratory.

MARKETS

Ordinary Shares

Our ordinary shares have been trading on the TASE under the symbol “CFBI” since October 2005.

ADSs

On October 2, 2012, our ADSs began trading OTC in the United States under the symbol “CANFY” and on November 19, 2013, our ADSs began trading on the NYSE American under the symbol “CANF.” One ADS represents two ordinary shares.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the ordinary shares represented by ADSs by the selling shareholders. All net proceeds from the sale of the ordinary shares represented by ADSs and the warrants and placement agent warrants covered by this prospectus will go to the selling shareholders. We expect that the selling shareholders will sell their ordinary shares represented by ADSs as described under “Plan of Distribution.”

We may receive proceeds from the exercise of the warrants and placement agent warrants and issuance of the warrant ADSs to the extent that these warrants are exercised for cash. Warrants, however, are exercisable on a cashless basis under certain circumstances. If all of the warrants mentioned above were exercised for cash in full, the proceeds would be approximately $3.05 million. We intend to use the net proceeds of such warrant exercise, if any, for research and development, general and administrative expenses, and for working capital purposes. Pending such uses, we intend to invest the net proceeds in short-term, interest-bearing, investment grade securities or as otherwise pursuant our customary investment policies. We can make no assurances that any of the warrants and placement agent warrants will be exercised, or if exercised, that they will be exercised for cash, the quantity which will be exercised or in the period in which they will be exercised.

CAPITALIZATION

The following table sets forth our capitalization:

- on an actual basis as of September 30, 2018; and
- on an as adjusted basis to give effect to the completion of this offering based on a public offering price of $1.05 per ADS, after deducting the placement agent fees and estimated offering expenses payable by us.

The following depiction of our capitalization on an as adjusted basis as of September 30, 2018 reflects only the net proceeds from this offering, and does not reflect exercise of any options or warrants or any other transactions impacting our capital structure subsequent to September 30, 2018. The amounts shown below are unaudited and represent management's estimate. The information in this table should be read in conjunction with and is qualified by reference to the financial statements and notes thereto and other financial information incorporated by reference into this prospectus.

	As of September 30, 2018	
	(Actual)	(Adjusted)
	(U.S.$ in thousands)	
Long-term liabilities:	2,077	2,077
Shareholders' equity:		
Share capital	2,633	2,936
Share Premium	81,646	83,264
Capital reserve	5,767	5,767
Warrants	12,408	12,408
Accumulated other comprehensive loss	1,127	1,127
Accumulated deficit	(97,194)	(97,194)
Total shareholder's equity	6,387	8,308
Total capitalization (long-term liabilities and equity)	8,464	10,385

The above table is based on 40,362,290 shares outstanding as of September 30, 2018 and excludes the following:

- 1,482,823 ordinary shares issuable upon the exercise of stock options outstanding at a weighted-average exercise price of $1.269 per share as of September 30, 2018;
- 13,335,004 ordinary shares issuable upon the exercise of warrants outstanding at a weighted-average exercise price of $3.213 per share which includes 6,667,502 ordinary shares represented by ADSs issuable upon the exercise of warrants as of September 30, 2018;
- 1,215,000 additional ordinary shares available for future issuance under our 2013 Share Option Plan as of September 30, 2018;
- 4,476,192 ordinary shares represented by 2,238,096 ADSs issuable upon exercise of unregistered warrants issued to that certain institutional investor in connection with the January 2019 Financing, at an exercise price of $1.30 per ADS;
- 223,810 ordinary shares issuable upon the exercise of warrants to purchase 111,905 ADSs at an exercise price of $1.30 per ADS issued to the placement agent in connection with January 2019 Financing; and
- 400,000 ordinary shares issuable upon the exercise of 400,000 options, subject to shareholder approval.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion of our operating and financial condition and prospects in conjunction with the financial statements and the notes beginning on page F-1 to our most recent Annual Report on Form 20-F and the related information included elsewhere in our most recent Annual Report on Form 20-F. Our financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board. We maintain our accounting books and records in U.S. dollars and our functional currency is the U.S. dollar. Certain amounts presented herein may not sum due to rounding.

Overview

We are a clinical-stage biopharmaceutical company focused on developing orally bioavailable small molecule therapeutic products for the treatment of cancer, liver and inflammatory disease and sexual dysfunction. Our platform technology utilizes the Gi protein associated A3AR as a therapeutic target. A3AR is highly expressed in inflammatory and cancer cells, and not significantly expressed in normal cells, suggesting that the receptor could be a unique target for pharmacological intervention. Our pipeline of drug candidates are synthetic, highly specific agonists and allosteric modulators, or ligands or molecules that initiate molecular events when binding with target proteins, targeting the A3AR.

Our product pipeline is based on the research of Dr. Pnina Fishman, who investigated a clinical observation that tumor metastasis can be found in most body tissues, but are rarely found in muscle tissue, which constitutes approximately 60% of human body weight. Dr. Fishman's research revealed that one reason that striated muscle tissue is resistant to tumor metastasis is that muscle cells release small molecules which bind with high selectivity to the A3AR. As part of her research, Dr. Fishman also discovered that A3ARs have significant expression in tumor and inflammatory cells, whereas normal cells have low or no expression of this receptor. The A3AR agonists and allosteric modulators, currently our pipeline of drug candidates, bind with high selectivity and affinity to the A3ARs and upon binding to the receptor initiate down-stream signal transduction pathways resulting in apoptosis, or programmed cell death, of tumors and inflammatory cells and to the inhibition of inflammatory cytokines. Cytokines are proteins produced by cells that interact with cells of the immune system in order to regulate the body's response to disease and infection. Overproduction or inappropriate production of certain cytokines by the body can result in disease.

Our product candidates, CF101, CF102 and CF602, are being developed to treat autoimmune inflammatory indications, oncology and liver diseases as well as sexual dysfunction. CF101, also known as Piclidenoson, is in an advance stage of clinical development for the treatment of autoimmune-inflammatory diseases, including rheumatoid arthritis and psoriasis. CF102, also known as Namodenoson, is being developed for the treatment of HCC and has orphan drug designation for the treatment of HCC in the United States and Europe. Namodenoson was granted Fast Track designation by the FDA as a second line treatment to improve survival for patients with advanced HCC who have previously received Nexavar (sorafenib). Namodenoson is also being developed for the treatment of NASH, following our study which revealed compelling pre-clinical data on Namodenoson in the treatment of NASH, a disease for which no FDA approved therapies currently exist. CF602 is our second generation allosteric drug candidate for the treatment of sexual dysfunction, which has shown efficacy in the treatment of erectile dysfunction in preclinical studies and we are investigating additional compounds, targeting A3AR, for the treatment of sexual dysfunction. Preclinical studies revealed that our drug candidates have potential to treat additional inflammatory diseases, such as Crohn's disease, oncological diseases and viral diseases, such as the JC virus, and obesity.

We believe our pipeline of drug candidates represent a significant market opportunity. For instance, according to Visiongain, the world rheumatoid arthritis market size is predicted to generate revenues of $34.6 billion in 2020 and the psoriasis drug market is forecasted to be worth $11.4 billion by 2020. According to Datamonitor, the HCC drug market is expected to reach $1.4 billion by 2019.

We have in-licensed an allosteric modulator of the A3AR, CF602 from Leiden University. In addition, we have out-licensed the following:

- Piclidenoson for the treatment of (i) rheumatoid arthritis to Kwang Dong Pharmaceutical Co. Ltd., for Korea, (ii) psoriasis and rheumatoid arthritis to Cipher Pharmaceuticals for Canada, (iii) rheumatoid arthritis and psoriasis to Gebro Holding, for Spain, Switzerland and Austria, and (iv) rheumatoid arthritis and psoriasis to CMS Medical for China (including Hong Kong, Macao and Taiwan); and

- Namodenoson for the treatment of (i) liver cancer to Chong Kun Dang Pharmaceuticals for South Korea, and (ii) advanced liver cancer and NAFLD/NASH to CMS Medical for China (including Hong Kong, Macao and Taiwan).

We are currently: (i) conducting a Phase III trial for Piclidenoson in the treatment of rheumatoid arthritis, (ii) conducting a Phase III trial for Piclidenoson in the treatment of psoriasis, (iii) conducting a Phase II study with respect to the development of Namodenoson for the treatment of HCC and completed enrollment of 78 patients in the third quarter of 2017 with results expected in the first quarter of 2019, (iv) conducting a Phase II trial of Namodenoson in the treatment of NASH with completion of patient enrollment expected toward the end of 2018 and data release expected in the third quarter of 2019, and (v) investigating additional compounds, targeting the A3 adenosine receptor, for the treatment of sexual dysfunction and have therefore postponed a planned Investigational New Drug (IND) submission for this indication.

Since inception, we have incurred significant losses in connection with our research and development. As of September 30, 2018, we had an accumulated deficit of approximately $97.2 million. Although we have recognized revenues in connection with our existing out-licensing agreements with KD, Cipher, CKD, Gebro and CMS and our historic out-licensing agreement with SKK, we expect to generate losses in connection with the research and development activities relating to our pipeline of drug candidates. Such research and development activities are budgeted to expand over time and will require further resources if we are to be successful. As a result, we expect to incur operating losses, which may be substantial over the next several years, and we will need to obtain additional funds to further develop or research and development programs.

We have funded our operations primarily through the sale of equity securities (both in private placements and in public offerings) and payments received under our existing out-licensing agreements with KD, Cipher, CKD, Gebro and CMS and our historic out-licensing agreement with SKK. We expect to continue to fund our operations over the next several years through our existing cash resources, potential future milestone payments that we expect to receive from our licensees, interest earned on our investments, if any, and additional capital to be raised through public or private equity offerings or debt financings. As of September 30, 2018, we had approximately $5.7 million of cash and cash equivalents.

Revenues

Our revenues to date have been generated primarily from payments under our existing out-licensing agreements with KD, Cipher, CKD and Gebro and our historic out-licensing agreement with SKK.

Under the Kwang Dong License Agreement, we are entitled to up-front and milestone payments of up to $1.5 million. In accordance with the Kwang Dong License Agreement, we received an up-front payment of $0.3 million and a payment of $0.048 million as consideration for KD’s purchase of our ordinary shares in 2009 and a milestone payment of $0.2 million in 2010. Under the terms of the Kwang Dong License Agreement, in addition to the payments mentioned above, we are entitled to certain additional payments based on the sale of raw materials, subject to the terms and conditions of the respective agreements.

Under the Distribution and Supply Agreement with Cipher we received CAD 1.65 million upon execution of the agreement and are entitled to milestone payments upon receipt of regulatory approval by Health Canada for Piclidenoson and the first delivery of commercial launch quantities as follows (i) CAD 1 million upon the first approved indication for either psoriasis or rheumatoid arthritis, and (ii) CAD 1 million upon the second approved indication for either psoriasis or rheumatoid arthritis. In addition, following regulatory approval, we shall be entitled to a royalty of 16.5% of net sales of Piclidenoson in Canada and reimbursement for the cost of manufacturing Piclidenoson. We are also entitled to a royalty payment for any authorized generic of Piclidenoson that Cipher distributes in Canada.

The Distribution Agreement with CKD provides for up to $3,000,000 in upfront and milestone payments payable as follows: (i) an upfront payment of $500,000 within 30 days of receipt of an invoice from us, which we received in the fourth quarter of 2016 and (ii) within 30 days of the occurrence of each of the following: (1) $500,000 upon receipt by CKD of a positive result from the preliminary review by the MFDS on obtaining orphan drug designation for Namodenoson in South Korea, which we received in the third quarter of 2017, (2) $500,000 upon successful completion of our ongoing Phase II clinical trial for Namodenoson, (3) $1,000,000 upon the granting of marketing authorization of Namodenoson in South Korea by the MFDS, and (4) $500,000 upon registration of Namodenoson on the "reimbursement listing" in South Korea by the National Health Insurance Services in Korea. In addition, we are entitled to a royalty of 23% of net sales of Namodenoson following commercial launch in South Korea which includes the transfer price for delivering finished product to CKD. See "Business—Out-Licensing and Distribution Agreements".

In January 2018, we entered into a Distribution and Supply Agreement with Gebro. The Distribution and Supply Agreement with Gebro provides that we are entitled to €1,500,000 upon execution of the agreement plus milestone payments upon achieving certain clinical, launch and sales milestones, as follows: (i) €300,000 upon initiation of the ACRobat Phase III clinical trial for the treatment of rheumatoid arthritis and €300,000 upon the initiation of the COMFORT Phase III clinical trial for the treatment of psoriasis, (ii) between €750,000 and €1,600,000 following first delivery of commercial launch quantities of Piclidenson for either the treatment of rheumatoid arthritis or psoriasis, and (iii) between €300,000 and up to €4,025,000 upon meeting certain net sales. In addition, following regulatory approval, we shall be entitled to double digit percentage royalties on net sales of Piclidenoson in the territories and payment for the manufacturing Piclidenoson. To date, we have received a total of €2,100,000 from Gebro in upfront and milestone payments. See "Business Overview—Out-Licensing and Distribution Agreements".

In August 2018, we entered into a License, Collaboration and Distribution Agreement with CMS Medical. Under the License, Collaboration and Distribution Agreement, we are entitled to $2,000,000 upon execution of the agreement plus milestone payments of up to $14,000,000 upon achieving certain regulatory milestones and payments of up to $58,500,000 upon achieving certain sales milestones. In addition, following regulatory approval, we shall be entitled to double-digit percentage royalties on net sales of Piclidenoson and Namodenoson in the licensed territories. To date, we have received a total of $2,000,000 from CMS Medical in upfront and milestone payments. See "Business—Out-Licensing and Distribution Agreements".

Under the terminated SKK license agreement we received an aggregate of approximately $8.5 million from SKK. See "Business—Out-Licensing and Distribution Agreements".

Certain payments we have received from SKK and KD have been subject to a 10% and 5% withholding tax in Japan and Korea, respectively, and certain payments we may receive in the future, if at all, may also be subject to the same withholding tax in Korea. Receipt of any milestone payment under our out-licensing agreements depends on many factors, some of which are beyond our control. We cannot assure you that we will receive any of these future payments. We expect our revenues for the next several years, if any, to be derived primarily from payments under our current out-license agreements and our public capital raising activities, as well as additional collaborations that we may enter into in the future with respect to our drug candidates.

Research and Development

Our research and development expenses consist primarily of salaries and related personnel expenses, fees paid to external service providers, up-front and milestone payments under our license agreements, patent-related legal fees, costs of preclinical studies and clinical trials, drug and laboratory supplies and costs for facilities and equipment. We charge all research and development expenses to operations as they are incurred. We expect our research and development expense to remain our primary expense in the near future as we continue to develop our products. Increases or decreases in research and development expenditures are attributable to the number and/or duration of the pre-clinical and clinical studies that we conduct.

The following table identifies our current major research and development projects:

Project	Status	Expected or Recent Near Term Milestone
Piclidenoson	ACRobat Phase III study in rheumatoid arthritis	Enrolling patients to the study
	COMFORT Phase III study in psoriasis	Enrolling patients to the study
Namodenoson	Phase II in HCC	Data results expected in Q1 2019
	Phase II study in NASH	Data results expected in Q3 2019

We record certain costs for each development project on a "direct cost" basis, as they are recorded to the project for which such costs are incurred. Such costs include, but are not limited to, CRO expenses, drug production for pre-clinical and clinical studies and other pre-clinical and clinical expenses. However, certain other costs, including but not limited to, salary expenses (including salaries for research and development personnel), facilities, depreciation, share-based compensation and other overhead costs are recorded on an "indirect cost" basis, i.e., they are shared among all of our projects and are not recorded to the project for which such costs are incurred. We do not allocate direct salaries to projects due to the fact that our project managers are generally involved in several projects at different stages of development, and the related salary expense is not significant to the overall cost of the applicable projects. In addition, indirect labor costs relating to our support of the research and development process, such as manufacturing, controls, pre-clinical analysis, laboratory testing and initial drug sample production, as well as rent and other administrative overhead costs, are shared by many different projects and have never been considered by management to be of significance in its decision-making process with respect to any specific project. Accordingly, such costs have not been specifically allocated to individual projects.

Set forth below is a summary of the gross direct costs allocated to our main projects on an individual basis, as well as the gross direct costs allocated to our less significant projects on an aggregate basis, for the years ended December 31, 2015, 2016 and 2017 and for the nine months ended September 30, 2018; and on an aggregate basis since project inception:

	(USD in thousands) Nine Months Ended September 30,	(USD in thousands) Year Ended December 31,			Total Costs Since Project
	2018	2015	2016	2017	Inception
Piclidenoson	2,000	971	1,946	1,894	25,375
Namodenoson	786	1,044	1,907	1,827	8,241
CF602	276	243	1,126	15	1,683
Other projects	-	1	-	-	1,729
Total gross direct project costs [1]	3,062	2,259	4,979	3,736	37,028

(1) Does not include indirect project costs and overhead, such as payroll and related expenses (including stock-based compensation), facilities, depreciation and impairment of intellectual property, which are included in total research and development expenses in our financial statements.

From our inception through September 30, 2018, we have incurred research and development expenses of approximately $93.25 million. We expect that a large percentage of our research and development expense in the future will be incurred in support of our current and future preclinical and clinical development projects. Due to the inherently unpredictable nature of preclinical and clinical development processes and given the early stage of our preclinical product development projects, we are unable to estimate with any certainty the costs we will incur in the continued development of the product candidates in our pipeline for potential commercialization. Clinical development timelines, the probability of success and development costs can differ materially from expectations. We expect to continue to test our product candidates in preclinical studies for toxicology, safety and efficacy, and to conduct additional clinical trials for each product candidate. If we are not able to enter into an out-licensing arrangement with respect to any product candidate prior to the commencement of later stage clinical trials, we may fund the trials for the product candidates ourselves.

While we are currently focused on advancing each of our product development projects, our future research and development expenses will depend on the clinical success of each product candidate, as well as ongoing assessments of each product candidate's commercial potential. In addition, we cannot forecast with any degree of certainty which product candidates may be subject to future out-licensing arrangements, when such out-licensing arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements.

As we obtain results from clinical trials, we may elect to discontinue or delay clinical trials for certain product candidates or projects in order to focus our resources on more promising product candidates or projects. Completion of clinical trials by us or our licensees may take several years or more, but the length of time generally varies according to the type, complexity, novelty and intended use of a product candidate.

The cost of clinical trials may vary significantly over the life of a project as a result of differences arising during clinical development, including, among others:

- the number of sites included in the clinical trials;
- the length of time required to enroll suitable patients;
- the number of patients that participate in the clinical trials;
- the duration of patient follow-up;
- the development stage of the product candidate; and
- the efficacy and safety profile of the product candidate.

We expect our research and development expenses to increase in the future from current levels as we continue the advancement of our clinical trials and preclinical product development and to the extent we in-license new product candidates. The lengthy process of completing clinical trials and seeking regulatory approval for our product candidates requires expenditure of substantial resources. Any failure or delay in completing clinical trials, or in obtaining regulatory approvals, could cause a delay in generating product revenue and cause our research and development expenses to increase and, in turn, have a material adverse effect on our operations. Because of the factors set forth above, we are not able to estimate with any certainty when we would recognize any net cash inflows from our projects.

General and Administrative Expenses

General and administrative expenses consist primarily of compensation for employees in executive and operational functions, including accounting, finance, legal, business development, investor relations, information technology and human resources. Other significant general and administration costs include facilities costs, professional fees for outside accounting and legal services, travel costs, insurance premiums and depreciation.

Financial Expense and Income

Financial expense and income consists of interest earned on our cash and cash equivalents; bank fees and other transactional costs; expense or income resulting from fluctuations of the NIS and other currencies, in which a portion of our assets and liabilities are denominated, against the U.S. dollar (our functional currency).

Critical Accounting Policies and Estimates

Our accounting policies and their effect on our financial condition and results of operations are more fully described in our audited consolidated financial statements included elsewhere in this registration statement. The preparation of financial statements in conformity with IFRS as issued by the IASB requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities. These estimates are prepared using our best judgment, after considering past and current events and economic conditions. While management believes the factors evaluated provide a meaningful basis for establishing and applying sound accounting policies, management cannot guarantee that the estimates will always be consistent with actual results. In addition, certain information relied upon by us in preparing such estimates includes internally generated financial and operating information, external market information, when available, and when necessary, information obtained from consultations with third party experts. Actual results could differ from these estimates and could have a material adverse effect on our reported results.

We believe that the accounting policies discussed below are critical to our financial results and to the understanding of our past and future performance, as these policies relate to the more significant areas involving management's estimates and assumptions. We consider an accounting estimate to be critical if: (1) it requires us to make assumptions because information was not available at the time or it included matters that were highly uncertain at the time we were making our estimate; and (2) changes in the estimate could have a material impact on our financial condition or results of operations.

Functional and Presentation Currency

From our inception through January 1, 2018, our functional and presentation currency was the NIS. Management conducted a review of our functional currency and decided to change our functional and presentation currency to the USD from the NIS effective January 1, 2018. These changes were based on an assessment by our management that the USD is the primary currency of the economic environment in which we operate.

In determining the appropriate functional currency to be used, we followed the guidance in International Accounting Standard 21 - The Effects of Changes in Foreign Exchange Rates, or IAS 21, which states that factors relating to sales, costs and expenses, financing activities and cash flows, as well as other potential factors, should be considered. In this regard, we are incurring and expect to continue to incur a majority of our expenses in USD as a result of our expanded clinical trials including Phase III trials. These changes, as well as the fact that the majority of our available funds are in U.S. dollars, our principal source of financing is the U.S. capital market, and all of our budgeting is conducted solely in U.S. dollars, led to the decision to make the change in functional currency as of January 1, 2018, as indicated above.

At the date of change of functional currency, we also changed the presentation currency of our financial statements. This change was retrospectively implemented. In accordance with IAS 21, since our presentation currency was different than our functional currency our results and financial position were translated using the following principles: (i) all assets and liabilities were translated using the current exchange rates, (ii) equity accounts were translated using the historical rates, and (iii) income and expenses for each statement of comprehensive income or separate income statement presented were translated at exchange rates at the dates of the transactions.

Principles of Consolidation

Our financial statements reflect the consolidation of the financial statements of companies that we control based on legal control or effective control. We fully consolidate into our financial statements the results of operations of companies that we control. Legal control exists when we have the power, directly or indirectly, to govern the financial and operating policies of an entity. The effect of potential voting rights that are exercisable at the balance sheet date are considered when assessing whether we have legal control. In addition, we consolidate on the basis of effective control even if we do not have voting control. The determination that effective control exists involves significant judgment.

In evaluating the effective control on our investees we consider the following criteria to determine if effective control exists:

- whether we hold a significant voting interest (but less than half the voting rights);
- whether there is a wide diversity of public holdings of the remaining shares conferring voting rights;
- whether in the past we had the majority of the voting power participating in the general meetings of shareholders and, therefore, have in fact had the right to nominate the majority of the board members;
- the absence of a single entity that holds a significant portion of the investee's shares;
- our ability to establish policies and guide operations by appointing the remainder of the investee's senior management; and
- whether the minority shareholders have participation rights or other preferential rights, excluding traditional shareholder protective rights.

Entities we control are fully consolidated in our financial statements. All significant intercompany balances and transactions are eliminated in consolidation. Non-controlling interests of subsidiaries represent the non-controlling shareholders' proportionate interest in the comprehensive income (loss) of the subsidiaries and fair value of the net assets or the net identifiable assets upon the acquisition of the subsidiaries.

Revenue Recognition

We generate income from distribution agreements. See "Business—Out-Licensing and Distribution Agreements". Such income comprises of upfront license fees, milestone payments and potential royalty payments.

We identified four components in the agreements: (i) performing the research and development services through regulatory approval; (ii) exclusive license to distribute; (iii) participation in joint steering committee; and, (iv) royalties resulting from future sales of the product.

We recognize revenue in accordance with IAS 18, "Revenue" pursuant to which each required deliverable is evaluated to determine whether it qualifies as a separate unit of accounting based on whether the deliverable has "stand-alone value" to the customer. The arrangement's consideration that is fixed or determinable is then allocated to each separate unit of accounting based on the relative selling price of each deliverable which is based on the Estimated Selling Price.

Components (i) – (iii) were analyzed as one unit of accounting. Consequently, revenue from these components is recorded based on the term of the research and development services (which is the last deliverable in the arrangement). We estimate these services will spread over a period of 24 quarters.

Revenues from milestone payments:

Contingent payments related to milestones will be recognized immediately upon satisfaction of the milestone and contingent payments related to royalties will be recognized in the period that the related sales have occurred.

Revenues from royalties:

Revenues from royalties will be recognized as they accrue in accordance with the terms of the relevant agreement.

Share-based Compensation

We account for share-based compensation arrangements in accordance with the provisions of IFRS 2. IFRS 2 requires companies to recognize share-based compensation expense for awards of equity instruments based on the grant-date fair value of those awards. The cost is recognized as compensation expense over the vesting period, based upon the grant-date fair value of the equity or liability instruments issued. We selected the binomial option pricing model as the most appropriate method for determining the estimated fair value of our share-based awards without market conditions. The determination of the grant date fair value of options using an option pricing model is affected by estimates and assumptions regarding a number of complex and subjective variables. These variables include the expected volatility of our share price over the expected term of the options, share option exercise and forfeiture rate, risk-free interest rates, expected dividends and the price of our ordinary shares on the TASE. As our ordinary shares are publicly traded on the TASE, we do not need to estimate the fair value of our ordinary shares. Rather, we use the actual closing market price of our ordinary shares on the date of grant, as reported by the TASE although in the future may use the closing market price of our ADSs on the date of grant, as reported by the NYSE American.

If any of the assumptions used in the binomial option pricing model change significantly, share-based compensation for future awards may differ materially compared with the awards previously granted.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration of equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the service are to be satisfied, ending on the date on which the relevant employees or other service providers become fully entitled to the award.

If we modify the conditions on which equity-instruments are granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee or other service provider at the modification date.

Liability Related to Certain Warrants

The fair value of the liability for warrants exercisable into shares issued to investors in connection with our financings to date are classified as Level 1 in the fair value hierarchy, and measured at fair value on a recurring basis with changes in the fair values being recognized in our statement of comprehensive loss as financial income or expense.

Fair value for each reporting period was calculated based on the following assumptions:

Our net loss for the year ended December 31, 2017 and 2016 included finance income in the amount of $564,000 and $285,000, respectively, in connection with the above-mentioned warrants.

Our net loss for the nine months ended September 30, 2018 was $3.1 million compared with a net loss of $4.7 million for the same period in 2017. The difference in net loss was primarily attributable to an increase in revenues in 2018.

Recently Issued Accounting Pronouncements

IFRS 9 - Financial Instruments:

In July 2014, the IASB completed the final element of its comprehensive response to the financial crisis by issuing IFRS 9, Financial Instruments. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. Certain securities that are currently measured at fair value through profit and loss will be measured at fair value through other comprehensive income (loss) due to implementation of IFRS 9. In addition, we will measure expected credit loss of the securities that will be measured at fair value through other comprehensive income (loss). IFRS 9 is to be applied for annual periods beginning on January 1, 2018. We do not expect IFRS 9 to have any material impact from the adoption of IFRS 9 on the financial statements.

IFRS 15 - Revenues from Contracts with Customers:

The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

IFRS 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. IFRS 15 allows an entity to choose to apply a modified retrospective approach. During 2017, we performed an assessment of IFRS 15 impact as described below.

We are in the business developing orally bioavailable small molecule therapeutic products. We received certain milestone and advances from commercialization, distribution and license agreements with strategic partners.

We performed the following preliminary assessment of IFRS 15:

In implementation of IFRS 15, we are considering the following:

(1) Variable consideration:

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, we are recognize revenue from achieving milestones, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, we defer revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, which will be required to be estimated at contract inception.

IFRS 15 requires that the variable consideration be estimated conservatively to prevent over-recognition of revenue.

We continue to assess individual contracts to determine the estimated variable consideration and related constraint. There is no impact of IFRS 15 on the financial statements.

(2) Upfront and milestone payments:

Since our agreements with strategic partners include upfront and milestone payments that contain a performance obligation that is satisfied over time we currently defer the upfront payments and recognize revenue over time by reference to the stage of completion.

Under IFRS 15, we would continue to recognize revenue for upfront payments over time rather than at a point of time. Upon adoption, the financing component will result in interest expenses which will be included in our consolidated statement of operations to reflect the financial portion cost of the long-term deferred revenue that is related to such services. We identified the existence of a significant financing component resulting from an upfront payment.

(3) Presentation and disclosure requirements:

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and may significantly expand the disclosures required in Company's financial statements. Many of the disclosure requirements in IFRS 15 are completely new.

IFRS 16 - Leases:

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16, that replaces IAS 17, Leases, will only imply insignificant changes to the accounting for lessors. For lessees, the accounting will change significantly, as all leases (except short term leases and small asset leases) will be recognized on the balance sheet. Initially, the lease liability and the right-of-use asset is measured at the present value of future lease payments (defined as economically unavoidable payments). The right-of-use asset is subsequently depreciated in a similar way to other assets such as tangible assets, i.e. typically in a straight-line over the lease term. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted provided that IFRS 15, Revenue from Contracts with Customers, is applied concurrently. We do not expect the implementation of the new standard to have a significant effect on our financial statements.

Recent Offerings

On September 21, 2015, we sold to certain institutional investors providing for the issuance of an aggregate of 2,068,966 ADSs in a registered direct offering at $4.35 per ADS resulting in gross proceeds of $9,000,002. In addition, we issued to the investors unregistered warrants to purchase 1,034,483 ADSs in a private placement. The warrants may be exercised after six months from issuance for a period of five and a half years from issuance and have an exercise price of $5.25 per ADS, subject to adjustment as set forth therein. The warrants may be exercised on a cashless basis if six months after issuance there is no effective registration statement registering our ADSs underlying the warrants. We paid an aggregate of $792,379 in placement agent fees and expenses and issued unregistered placement agent warrants to purchase 103,448 ADS on the same terms as the warrants except they have a term of five years.

On October 15, 2015, we sold to certain institutional investors providing for the issuance of an aggregate of 1,109,196 ADSs in a registered direct offering at $4.35 per ADS resulting in gross proceeds of approximately $4,825,000. In addition, we issued to the investors unregistered warrants to purchase 443,678 ADSs in a private placement. The warrants may be exercised after six months from issuance for a period of five and a half years from issuance and have an exercise price of $5.25 per ADS, subject to adjustment as set forth therein. The warrants may be exercised on a cashless basis if six months after issuance there is no effective registration statement registering our ADSs underlying the warrants. We paid an aggregate of $524,621 in placement agent fees and expenses and issued unregistered placement agent warrants to purchase 55,460 ADS on the same terms as the warrants except they have a term of five years.

On January 24, 2017, we sold to certain institutional investors providing for the issuance of an aggregate of 2,500,000 ADSs in a registered direct offering at $2.00 per ADS resulting in gross proceeds of approximately $5,000,000. In addition, we issued to the investors unregistered warrants to purchase 1,250,000 ADSs in a private placement. The warrants may be exercised after six months from issuance for a period of five and a half years from issuance and have an exercise price of $2.25 per ADS, subject to adjustment as set forth therein. The warrants may be exercised on a cashless basis if six months after issuance there is no effective registration statement registering our ADSs underlying the warrants. We paid an aggregate of $360,000 in placement agent fees and expenses and issued unregistered placement agent warrants to purchase 125,000 ADS on the same terms as the warrants except they have a term of five years.

On March 13, 2018, we sold to certain institutional investors providing for the issuance of an aggregate of 3,333,336 ADSs in a registered direct offering at $1.50 per ADS resulting in gross proceeds of approximately $5,000,000. In addition, we issued to the investors unregistered warrants to purchase 2,500,002 ADSs in a private placement. The warrants may be exercised after six months from issuance for a period of five and a half years from issuance and have an exercise price of $2.00 per ADS, subject to adjustment as set forth therein. The warrants may be exercised on a cashless basis if six months after issuance there is no effective registration statement registering our ADSs underlying the warrants. We paid an aggregate of $350,000 in placement agent fees and expenses and issued unregistered placement agent warrants to purchase 166,667 ADS on the same terms as the warrants except they have a term of five years.

On January 18, 2019, we sold to a single institutional investor an aggregate 2,238,096 ADSs in a registered direct offering at $1.05 per ADS, resulting in gross proceeds of $2,350,000. In addition, we issued to the investor unregistered warrants to purchase 2,238,096 ADSs in a private placement. The warrants are immediately exercisable from the date of issuance for a period of five and a half years and have an exercise price of $1.30 per ADS, subject to adjustment as set forth therein. The warrants may be exercised on a cashless basis if six months after issuance there is no effective registration statement registering the ADSs underlying the warrants. We paid an aggregate of $191,000 in placement agent fees and expenses and issued unregistered placement agent warrants to purchase 111,905 ADS on the same terms as the warrants except they have a term of five years.

Jumpstart Our Business Startups Act of 2012

We are an emerging growth company within the meaning of the rules under the Securities Act, and we will utilize certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies. The JOBS Act permits us, as an "emerging growth company," to take advantage of an extended transition period to comply with certain new or revised accounting standards if such standards apply to companies that are not issuers. We are choosing to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards when they are required to be adopted by issuers. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

Results of Operations

Comparison of the nine months ended September 30, 2018 to the nine months ended September 30, 2017

Revenues

Revenues for the nine months ended September 30, 2018 were $3.5 million compared to $0.7 million for the same period in 2017. The increase in revenue was mainly due to the recognition of the $2 million advance payment received in August 2018 under the distribution agreement with CMS Medical and from a portion of the $2.2 million advance payment received in January 2018 under the distribution agreement with Gebro.

Research and development expenses

Research and development expenses for the nine months ended September 30, 2018 were $4 million compared with $3.5 million for the same period in 2017. Research and development expenses for the nine months of 2018 were comprised primarily of expenses associated with the Phase II studies for Namodenoson as well as expenses for ongoing studies of Piclidenoson. The increase is primarily due to increased costs associated with the initiation of the Phase III clinical trial of Piclidenoson for the treatment of rheumatoid arthritis. We expect that the research and development expenses will increase through the rest of 2018 and beyond.

General and administrative expenses

General and administrative expenses for the nine months ended September 30, 2018 were $2.4 million, compared to $2.1 million for the same period in 2017. The increase is primarily due to an increase in professional services and investor relations expenses. We expect that the annual general and administrative expenses for 2018 will be higher compared to 2017.

Financial expenses, net

Financial expenses, net for the nine months ended September 30, 2018 were $0.2 million compared to financial income, net of $0.2 million for the same period in 2017. The increase in financial expenses, net was mainly due to recognition of interest expenses related to implementation of revenue recognition accounting standard IFRS 15, while in the same period in 2017, financial income was mainly due to fair value revaluation of warrants which were offset by financial expenses from exchange rate differences.

Comparison of the Year Ended December 31, 2017 to Year Ended December 31, 2016

Revenues

Revenues for the year ended December 31, 2017 were NIS 2.9 million ($0.85 million), an increase of NIS 2.3 million ($0.66 million), or 350%, compared to NIS 0.65 million ($0.2 million) for the year ended December 31, 2016. The revenues during 2017 were mainly due to a portion of the NIS 0.76 million ($0.22 million or CAD 0.2 million) advance payment received in March 2015 under the Distribution and Supply Agreement with Cipher and from the recognition of the milestone payment of NIS 1.8 million ($0.5 million) and the recognition of a portion of the NIS 0.4 million ($0.1 million) advance payment received in December 2016 under the Distribution Agreement with CKD.

Research and development expenses

Research and development expenses for the year ended December 31, 2017 were $5.1 million, a decrease of $1 million, or 17%, compared to $6.1 million for the year ended December 31, 2016. Research and developments expenses for the year ended 2017 comprised primarily of expenses associated with the Phase II studies for Namodenoson as well as expenses for ongoing studies of Piclidenoson. The decrease is primarily due to costs associated with CF602 expenses that decreased since the postponement of a planned IND submission for this indication and a decrease in costs associated with the ongoing clinical trial of Namodenoson for treatment in liver cancer. We expect that the research and development expenses will increase through 2018 and beyond.

General and administrative expenses

General and administrative expenses were $2.9 million for the year ended December 31, 2017 an increase of $0.1 million, or 5%, compared to $2.7 million for the year ended December 31, 2016. The minor increase is primarily due to an increase in salary and related expenses. We expect that general and administrative expenses will remain at the same level through 2018.

Financial expenses, net

Financial income, net for the year ended December 31, 2017 aggregated $0.01 million compared to financial income, net of $0.3 million for the same period in 2016. The decrease in financial income, net in the year ended December 31, 2017 was mainly due to issuance expenses recorded in 2017 which were not recorded in 2016, a decrease in net change in fair value of warrants exercisable into shares and a decrease in exchange rate difference expenses.

Comparison of the Year Ended December 31, 2016 to Year Ended December 31, 2015

Revenues

Revenues for the year ended December 31, 2016 were NIS 0.65 million, an increase of NIS 0.01 million, or 1.6%, compared to NIS 0.64 million for the year ended December 31, 2015. The revenues during 2016 were mainly due to the recognition of a portion of the NIS 5.14 million (CAD 1.65 million) advance payment received in March 2015 under the Distribution and Supply Agreement with Cipher and a minor amount due to the recognition of a portion of the NIS 1.9 million ($0.5 million) advance payment received in December 2016 under the Distribution Agreement with CKD.

Research and development expenses

Research and development expenses for the year ended December 31, 2016 were $6.1 million, an increase of $2.2 million, or 56.6%, compared to $3.9 million for the year ended December 31, 2015. Research and developments expenses for the year ended 2016 comprised primarily of expenses associated with the Phase II study for Namodenoson as well as expenses for ongoing studies of Piclidenoson. The increase is primarily due to costs associated with preparations of the Piclidenoson Phase III studies in the treatment of rheumatoid arthritis and psoriasis and costs associated with the ongoing clinical trial of Namodenoson for treatment in liver cancer. We expect that the research and development expenses will increase through 2017 and beyond.

General and administrative expenses

General and administrative expenses were $2.733 million for the year ended December 31, 2016 a decrease of $ 0.002 million, or 0.0007%, compared to $2.735 million for the year ended December 31, 2015. We expect that general and administrative expenses will remain at the same level through 2017.

Financial expenses, net

Financial income, net for the year ended December 31, 2016 aggregated $0.3 million compared to financial expense, net of $0.02 million for the same period in 2015. The increase in financial income, net in the year ended December 31, 2016 was mainly due to net change in fair value warrants exercisable into shares.

Comparison of the Year Ended December 31, 2015 to Year Ended December 31, 2014

Revenues

In the year ended December 31, 2015, we recorded revenues of NIS 0.64 million. We did not record any revenues during the year ended December 31, 2014. The increase in revenue was due to the recognition of a portion of the NIS 5.14 million (CAD 1.65 million) advance payment received in March 2015 under the distribution agreement with Cipher.

Research and development expenses

Research and development expenses for the year ended December 31, 2015 were NIS 15.05 million, a decrease of NIS 1.15 million, or 7.1%, compared to NIS 16.20 million for the year ended December 31, 2014. Research and developments expenses for the year ended 2015 comprised primarily of expenses associated with the Phase II study for Namodenoson as well as expenses for ongoing studies of Piclidenoson. The decrease is primarily due to the completion of the Phase II/III psoriasis study during the first quarter of 2015 and a decrease in the scope of the non-clinical expenses during the year ended 2015 as compared to the parallel period in 2014. We expect that the research and development expenses will increase through 2016 and beyond.

General and administrative expenses

General and administrative expenses were NIS 10.63 million for the year ended December 31, 2015 and NIS 11.57 million for year ended December 31, 2014. The decrease is primarily due to a reduction in salary and investors and public relations expenses. We expect that general and administrative expenses will remain at the same level through 2016 and beyond.

Financial expenses, net

Financial income, net for the year ended December 31, 2015 aggregated NIS 5.29 million compared to financial income, net of NIS 3.27 million for the same period in 2014. The increase in financial income, net in the year ended 2015 was mainly due to a decrease in the fair value of warrants that are accounted as financial liability.

Liquidity and Capital Resources

Since inception, we have funded our operations primarily through public (in Israel and the United States) and private offerings of our equity securities and payments received under our strategic licensing arrangements. As of September 30, 2018, we had approximately $5.7 million in cash and cash equivalents, and have invested most of our available cash funds in ongoing cash accounts. In January 2018, we received approximately $2.2 million from Gebro as upfront and milestone payments for entering into a Distribution and Supply Agreement with Gebro. In March 2018, we raised approximately $5 million in a registered direct offering and concurrent private placement. In August 2018, we received $2 million as an upfront payment for entering into a License, Collaboration and Distribution Agreement with CMS Medical. In January 2019, we raised $2.35 million in a registered direct offering and concurrent private placement.

We may be able to use U.S. taxes withheld as credits against Israeli corporate income tax when we have income, if at all, but there can be no assurance that we will be able to realize the credits. In addition, we believe that we may be entitled to a refund of such withholding tax from the U.S. government but there can be no assurance that we will be entitled to such a refund. For information regarding the revenues and expenses associated with our licensing agreements, see "Business—Out-Licensing and Distribution Agreements", "Business—In-Licensing Agreements" and "Operating and Financial Review and Prospects—Revenues."

Net cash used in operating activities was $9.0 million for the year ended December 31, 2017, compared with net cash used in operating activities of $8.7 million and $4.8 million for the years ended December 31, 2016 and 2015, respectively. The $0.3 million increase in the net cash used in operating activities during 2017, compared to 2016, was primarily the result of a gain from sale of investment in previously consolidated subsidiaries, increase in account receivables, prepaid expenses and lease deposit, increase in other accounts payable, and a decrease in trade payables. The $3.9 million increase in the net cash used in operating activities during 2016, compared to 2015, was primarily the result of an increase in clinical trials and increase in prepaid expenses for clinical trials supply.

Net cash used in investing activities for the year ended December 31, 2017 was $0.03 million compared to net cash used in investing activities of $0.01 million for the year ended December 31, 2016 and net cash used in investing activities of $0.04 million for the year ended December 31, 2015. The changes in cash flows from investing activities are immaterial.

Net cash provided by financing activities for the year ended December 31, 2017 was $4.5 million, compared to no net cash provided by financing activities for the year ended December 31, 2016 and $12.5 million for the year ended December 31, 2015. The $4.5 million increase in the net cash provided by financing activities during 2017, compared to 2016, was primarily due to issuance of shares and warrants, net of issuance expenses. The $12.5 million decrease in the net cash provided by financing activities during 2016, compared to 2015, was due to no issuance of shares and warrants during 2016.

Developing drugs, conducting clinical trials and commercializing products is expensive and we will need to raise substantial additional funds to achieve our strategic objectives. Although we believe our existing financial resources as of February 13, 2019, will be sufficient to fund our projected cash requirements at least through the next twelve months, we will require significant additional financing to fund our operations. Additional financing may not be available on acceptable terms, if at all. Our future capital requirements will depend on many factors, including:

- the level of research and development investment required to develop our product candidates;
- the failure to obtain regulatory approval or achieve commercial success of our product candidates, including Piclidenoson, Namodenoson and CF602;
- the results of our preclinical studies and clinical trials for our earlier stage product candidates, and any decisions to initiate clinical trials if supported by the preclinical results;
- the costs, timing and outcome of regulatory review of our product candidates that progress to clinical trials;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our issued patents and defending intellectual property-related claims;
- the cost of commercialization activities if any of our product candidates are approved for sale, including marketing, sales and distribution costs;
- the cost of manufacturing our product candidates and any products we successfully commercialize;
- the timing, receipt and amount of sales of, or royalties on, our future products, if any;
- the expenses needed to attract and retain skilled personnel;

- any product liability or other lawsuits related to our products;
- the extent to which we acquire or invest in businesses, products or technologies and other strategic relationships;
- the costs of financing unanticipated working capital requirements and responding to competitive pressures; and
- maintaining minimum shareholders' equity requirements under the NYSE American Company Guide.

Until we can generate significant continuing revenues, we expect to satisfy our future cash needs through payments received under our license agreements, debt or equity financings, or by out-licensing other product candidates. We cannot be certain that additional funding will be available to us on acceptable terms, or at all. If funds are not available, we may be required to delay, reduce the scope of, or eliminate one or more of our research or development programs or our commercialization efforts.

Research and Development, Patents and Licenses, Etc.

For information concerning our research and development policies and a description of the amount spent during each of the last three fiscal years on company-sponsored research and development activities, see "Operating and Financial Review and Prospects—Results of Operation."

Trend Information.

We are a development stage company and it is not possible for us to predict with any degree of accuracy the outcome of our research, development or commercialization efforts. As such, it is not possible for us to predict with any degree of accuracy any significant trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause financial information to not necessarily be indicative of future operating results or financial condition. However, to the extent possible, certain trends, uncertainties, demands, commitments and events are identified in the preceding subsections of this Operating and Financial Review and Prospects.

Off-Balance Sheet Arrangements.

We have no off-balance sheet arrangements that have had or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Contractual Obligations.

The following table summarizes our significant contractual obligations in USD as of December 31, 2017:

Contractual Obligations	Total	Less than 1 year	1 – 3 years	3-5 years	More than 5 years
NIH milestones[1]	425,000	425,000		-	-
Leiden University milestones[2]	95,819	11,977	83,842	-	-
Car lease obligations	130,007	99,818	30,189	-	-
Total	650,826	536,795	114,031	-	-

(1) Includes $425,000 in milestone payments.

(2) Includes a €10,000 annual royalty and €50,000 upon the initiation of a Phase I study. We will update our milestone payment obligations upon releasing the Phase I data from such study. As such, the obligations above do not include a potential milestone payment of €100,000 upon the initiation of a Phase II study, €200,000 upon the initiation of a Phase III study or €500,000 upon marketing approval by any regulatory authority.

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss related to changes in market prices, including interest rates and foreign exchange rates, of financial instruments that may adversely impact our consolidated financial position, results of operations or cash flows.

Interest Rate Risk

We do not anticipate undertaking any significant long-term borrowings. At present, our investments consist primarily of cash and cash equivalents. We may invest in investment-grade marketable securities with maturities of up to three years, including commercial paper, money market funds, and government/non-government debt securities. The primary objective of our investment activities is to preserve principal while maximizing the income that we receive from our investments without significantly increasing risk and loss. Our investments are exposed to market risk due to fluctuation in interest rates, which may affect our interest income and the fair market value of our investments, if any. We manage this exposure by performing ongoing evaluations of our investments. Due to the short-term maturities, if any, of our investments to date, their carrying value has always approximated their fair value. If we decide to invest in investments other than cash and cash equivalents, it will be our policy to hold such investments to maturity in order to limit our exposure to interest rate fluctuations.

Foreign Currency Exchange Risk

Our foreign currency exposures give rise to market risk associated with exchange rate movements of the U.S dollar, our functional and reporting currency, mainly against the NIS and the euro. Although the U.S dollar is our functional currency, a portion of our expenses are denominated in both NIS and euro and currently all of our revenues are denominated in dollars. Our U.S. dollar and euro expenses consist principally of payments made to sub-contractors and consultants for preclinical studies, clinical trials and other research and development activities, Our NIS expenses consist principally of salary related payments. We anticipate that a sizable portion of our expenses will continue to be denominated in currencies other than the NIS. If the U.S dollar fluctuates significantly against either the NIS or the euro, it may have a negative impact on our results of operations. To date, fluctuations in the exchange rates have not materially affected our results of operations or financial condition for the periods under review.

To date, we have not engaged in hedging transactions. In the future, we may enter into currency hedging transactions to decrease the risk of financial exposure from fluctuations in the exchange rates of our principal operating currencies. These measures, however, may not adequately protect us from the material adverse effects of such fluctuations.

MANAGEMENT

A. Directors and Senior Management.

The following table sets forth our directors and senior management:

Member	Position	Age
Ilan Cohn, Ph.D.	Chairman of the Board	63
Pnina Fishman, Ph.D.	Chief Executive Officer, Director	70
Motti Farbstein	Chief Operating and Financial Officer	55
Sari Fishman, Ph.D.	VP of Business Development	47
Guy Regev	Director, Audit Committee and Compensation Committee member	49
Abraham Sartani, M.D.	Director	72
Israel Shamay	Director, Audit Committee and Compensation Committee member	55
Yaacov Goldman	Director, Audit Committee and Compensation Committee member	63

Ilan Cohn, Ph.D. Ilan Cohn, Ph.D. is a patent attorney and senior partner at the patent attorney firm Reinhold Cohn and Partners, where he has been an attorney since 1986. Dr. Cohn co-founded Can-Fite, served as its Chief Executive Officer until September 2004, served on our Board of Directors since 1994 and since May 30, 2013 serves as the Chairman of the Can-Fite Board of Directors. Dr. Cohn has also been a director of OphthaliX since November 21, 2011. Dr. Cohn holds a Ph.D. in biology and is a patent attorney with many years of experience in the biopharmaceutical field. He has served on the Board of Directors of a number of life science companies, including Discovery Laboratories Inc. (formerly Ansan Pharmaceuticals), a U.S. public company. Dr. Cohn has also been involved in the past in management of venture capital funds focused on investments in the life sciences industry. Dr. Cohn served a number of years as a co-chairman of the Biotech Committee of the US-Israeli Science and Technology Commission. Dr. Cohen is also currently a member of the Board of Directors of I.C.R.C. Management Ltd, Famillion BVI Ltd. and Famillion Ltd. (a subsidiary of Famillion BVI Ltd.). Dr. Cohn holds a Ph.D. in Biology from the Hebrew University of Jerusalem.

Pnina Fishman, Ph.D. Pnina Fishman, Ph.D. co-founded Can-Fite and has served as our Chief Executive Officer and served on our Board of Directors since September 2005. Dr. Fishman is the scientific founder of Can-Fite and was previously a professor of Life Sciences and headed the Laboratory of Clinical and Tumor Immunology at the Felsenstein Medical Research Institute, Rabin Medical Center, Israel. Dr. Fishman has authored or co-authored over 150 publications and presented the findings of her research at many major scientific meetings. Her past managerial experience included seven years as Chief Executive Officer of Mor Research Application, the technology transfer arm of Clalit Health Services, the largest healthcare provider in Israel. Mor Research Application was also the first clinical research organization in Israel. Dr. Fishman currently also serves as a member of the Board of Directors of F.D Consulting Ltd., Ultratrend Ltd., and Eye-Fite Ltd. Dr. Fishman holds a Ph.D. in Immunology from the Bar Ilan University in Ramat Gan, Israel.

Motti Farbstein. Motti Farbstein has been with Can-Fite since 2003. Mr. Farbstein served as our Chief Operating Officer from August 2003 until May 2005 and from that date onwards he served as Chief Operating and Financial Officer. Mr. Farbstein also serves as a director of Eye-Fite Ltd. since July 2011. Mr. Farbstein's past managerial experience includes seven years as Vice President of Mor Research Application, a company that managed the commercialization of the intellectual property of all hospitals and research centers affiliated with Clalit Health Services, which is the largest healthcare provider in Israel and was Israel's first clinical CRO. Mr. Farbstein also has extensive experience in the data management of clinical trials.

Sari Fishman, Ph.D. Sari Fishman, Ph.D. has served as our Director Clinical Affairs from 2004 to 2014, Director of Business Development from 2014 to 2017 and since 2017 serves as VP of Business Development. Dr. Fishman gained her Ph.D. at the Bar-Ilan University, Ramat-Gan, Israel.

Abraham Sartani, M.D. Abraham Sartani has served on our Board of Directors since 2001. Dr. Sartani has over 30 years of experience in the pharmaceuticals industry and currently acts as a consultant to pharmaceutical and medical device companies. Dr. Sartani is a member of a number of scientific and management societies and the author or co-author of numerous publications and patents in the urology, pain treatment and hypertension fields. Dr. Sartani previously served on the Board of Directors of Akkadeas Pharma Srl (formerly Arkadia Pharma) and was a co-founder. From 1985 until 2008, Dr. Sartani was the Vice-President of R&D and Licensing and Group coordinator of B&D of Recordati, a European specialty pharmaceutical company. Prior to joining Recordati, from 1980 until 1985, Dr. Sartani was employed at Farmitalia-Carlo Erba, serving in a number of capacities, including as the Medical Director for Europe.

Guy Regev. Guy Regev has over twelve years of experience in accounting, financial management and control and general management of commercial enterprises. He has served on our Board of Directors since July 2011 and has served as a member of our Audit Committee and Compensation Committee since February 2014. Mr. Regev has also been a director of OphthaliX since November 2011. Mr. Regev is currently the Chief Executive Officer of Gaon Holdings Ltd, a publicly traded Israeli holding company traded on the TASE which focuses on three areas of operation - Cleantech / Water, Financial Services, Retail/Trading. Mr. Regev is currently also the Chief Executive Officer of Middle East Tube Company Ltd a publicly traded Israeli company traded on the TASE which focuses on steel pipe manufacturing and galvanization services. Mr. Regev was the Chief Executive Officer of Shaked Global Group Ltd, a privately-held equity investment firm that provides value added capital to environmental-related companies and technologies. Prior to joining Shaked, from 2001 to 2008, Mr. Regev was Vice President of Commercial Business at Housing & Construction Holding, or HCH, Israel's largest infrastructure company. His duties included being responsible for the consolidation and financial recovery of various business units within HCH. Prior to that, Mr. Regev carried several roles within the group including as a Chief Financial Officer and later the Chief Executive Officer of Blue-Green Ltd., the environmental services subsidiary of HCH. Between 1999 and 2001, Mr. Regev was a manager at Deloitte & Touche, Israel. Mr. Regev holds an LLB degree in Law (Israel) and is a licensed attorney and has been a licensed CPA since 1999. Mr. Regev is also a director of, The Green Way Ltd, Shtang Construction and Engineering Ltd, R.I.B.E. Consulting & Investment Ltd., Middle East Tube Company Ltd, Middle East Tube - Industries 2001 Ltd, Middle East Tubes - Galvanizing (1994) Ltd, I-Solar Greentech Ltd, Plassim Infrastructure Ltd, Plassim Advanced Solutions in Sanitation Ltd, Hakohav Valves Industries Metal (1987) Ltd, Metzerplas Agriculture Cooperative Ltd, B. Gaon Retail & Trading Ltd, Gaon Agro - Rimon Management Services Ltd, B. Gaon Business (2004) Ltd, Gaon Antan Investments Ltd, Or Asaf Investments Ltd, Hamashbir Holdings (1999) Ltd, and AHAVA Holdings LTD.

Israel Shamay. Israel Shamay has served as external director since December 2014 and serves as a member on both the Audit Committee and Compensation Committee. Since 2012 Mr. Shamay has served as Executive Director, Strategic Initiatives and Head of the Americas Operations of MATIMOP (Israeli Industry Center for R&D), the International Operations agency of the Israeli Office of the Chief Scientist, focusing on developing and implementing cooperation platforms for industrial R&D and innovation projects in the Americas region. From 2006 until 2012 Mr. Shamay served as Executive Director of European Cooperations at MATIMOP, where he was in charge of architecting, realizing and evaluating industrial innovation cooperation frameworks at bilateral and European level, making them a major R&D cooperation instrument for Israeli industry with Europe. Between 2010 and 2011, Mr. Shamay was Head of the Israeli EUREKA Chairmanship Program (EUREKA is Europe's largest innovation network with nearly 40 member states). The Israeli EUREKA Chairmanship focused on developing new financial instruments for innovative small and medium sized enterprises and on expanding EUREKA's international dimension. From 2002 Mr. Shamay served as Israel's National Representative in several international R&D programs, from 2005 as an expert evaluator for the EU Framework Programs for R&D and from 2006 until 2009 managed the Israeli R&D collaboration with the EU Global Satellite Navigation Program – GALILEO. From 1991 until 2001, Mr. Shamay served in senior technical, marketing and executive positions in Israeli hi-tech companies operating globally, including the RAD group and Comverse Technologies. Mr. Shamay is an MBA graduate of the Recanati School of Business at the Tel-Aviv University and a graduate of the Technion in Haifa, faculty of Information Systems Engineering.

Yaacov Goldman. Yaacov Goldman has served as external director since August 2017. Mr. Goldman provides consulting services to companies in strategic-financial areas, through his wholly owned company, Maanit-Goldman Management & Investments (2002) Ltd. Mr. Goldman also serves as a director of Golden House Ltd., Meitav Dash Investments Ltd., Mer Telemanagement Solutions Ltd, IceCure Medical Ltd. and Fattal Properties (Europe) Ltd. Mr. Goldman served as the Professional Secretary of the Peer Review Institute of the Certified Public Accountants Institute in Israel from October 2004 until September 2008. Commencing in 1981, Mr. Goldman worked for Kesselman & Kesselman (Israeli member firm of PricewaterhouseCoopers) for 19 years, and from 1991 until 2000, as a partner and then senior partner of such firm. From September 2000 until November 2001, Mr. Goldman served as managing director of Argoquest Holdings, LLC. Mr. Goldman holds a B.A. degree in Economics and Accounting from Tel Aviv University and is a Certified Public Accountant (Israel).

B. Compensation.

Compensation of Directors and Senior Management

The following table presents in the aggregate all compensation we paid to all of our directors and senior management as a group for the year ended December 31, 2018. It does not include any business travel, relocation, professional, and business association dues and expenses reimbursed to office holders, and other benefits commonly reimbursed or paid by companies in Israel.

	Salaries, fees, commissions, bonuses and options (thousand NIS)
All directors and senior management as a group, consisting of 8 persons	2,980

The following table presents information regarding compensation reflected in our financial statements for five most highly compensated office holders, as of December 31, 2018.

Name and Position	**Salary**	**Bonus(4)**	**Value of Options Granted(5)**	**Other(6)**	**Total**
			(NIS in thousands)		
Pnina Fishman *Chief Executive Officer*	1,301(1)	337	57	50	1,745
Motti Farbstein *Chief Financial Officer*	694(2)	120	255	50	1,119
Sari Fishman *VP Business Development*	529(2)	130	212	50	921
Yaakov Goldman *External Director*	112(3)	-	37	-	149
Guy Regev *External Director*	108(3)	-	37	-	145

(1) Amount represents consulting fee.

(2) Salary includes gross salary plus payment of social benefits made by us on behalf of such person. Such benefits may include, to the extent applicable, payments, contributions and/or allocations for savings funds (e.g., managers' life insurance policy), education funds (referred to in Hebrew as "keren hishtalmut"), pension, severance, risk insurances (e.g., life, or work disability insurance), payments for social security payments and tax gross-up payments, vacation, medical insurance and benefits, convalescence or recreation pay and other benefits and perquisites consistent with our policies.

(3) Amount represents fees for board service.

(4) Amounts reported in this column refer to the cash bonuses provided by us with respect to 2018, which have been provided for in our financial statements for the year ended December 31, 2018 (including if such bonuses were paid in 2019). They exclude bonuses paid in 2018 which were provided for in the Company's financial statements for previous years.

(5) The value of options is the expense recorded in our financial statements for the period ended December 31, 2018 with respect to all options granted to such person.

(6) Amount represents cost of use of company car.

There were no options granted to our directors and senior management for the year ended December 31, 2018.

Each director other than our Chief Executive Officer and Avraham Sartani, is entitled to the payment of annual fee of NIS 48,721 (approximately $12,671), and payment of NIS 3,256 (approximately $847) per meeting for participating in meetings of the board and committees of the board. The annual fee shall not exceed the annual fee of an expert external director set forth in the Companies Regulations (Rules regarding Compensation and Expenses of External Directors) 5760-2000 as adjusted by the Companies Regulations (Relief for Public Companies with Shares Listed for Trading on a Stock Market Outside of Israel), 5760-2000. The compensation awarded for participating in resolutions that are adopted without an actual convening (i.e., unanimous written resolutions) and for participating through telephone meetings will be reduced as follows: (1) for resolutions that will be adopted without an actual convening, the participation compensation will be reduced by 50%; and (2) for participation through telephone meetings, the participation compensation will be reduced by 40%. The participation compensation and the annual fee is inclusive of all expenses incurred by our directors in connection with their participation in a meeting held at our offices or with regard to resolutions resolved by written consent or teleconference. Avraham Sartani is entitled to a fee of $1,000 per meeting. In addition, our directors (other than our Chief Executive Officer and external directors) are entitled to reimbursement for expenses related to their participation at meetings taking place not at our offices and outside their respective residency area.

Employment and Consulting Agreements

We have entered into employment or consulting agreements with our directors, senior management and key service providers. All of these agreements contain customary provisions regarding noncompetition, confidentiality of information and assignment of proprietary information and inventions. However, the enforceability of the noncompetition provisions may be limited under applicable law.

The following are summary descriptions of certain agreements to which we are a party. The descriptions provided below do not purport to be complete and are qualified in their entirety by the complete agreements, which are attached as exhibits to this Form F-1.

Service Management Agreement with F.D. Consulting: On June 27, 2002, we entered into a Service Management Agreement with F.D. Consulting, a company partially owned by Pnina Fishman, pursuant to which Dr. Fishman began serving as our Chief Scientific Officer and later became our Chief Executive Officer and is a member of our Board of Directors and continues to be retained through this agreement. F.D. Consulting's current gross monthly fee is NIS 108,360 which is linked to the Israeli CPI and fluctuates accordingly. Dr. Fishman, through F.D. Consulting, is also entitled to reimbursement for reasonable out-of-pocket expenses and use of a company automobile and mobile phone.

The term of F.D. Consulting's service management agreement is indefinite, unless earlier terminated for cause by us or without cause by either party, subject to three months' advanced notice.

Dr. Fishman is also entitled to receive options exercisable into our ordinary shares from time to time. As of February 13, 2019, we have granted her options to purchase an aggregate of 744,443 ordinary shares, of which (i) 241,613 were exercised into ordinary shares, (ii) options to purchase 195,630 ordinary shares expired, (iii) 2,680,000 options to purchase 107,200 ordinary shares have an exercise price of NIS 0.644 per option, are fully vested and expire on January 13, 2021, and (iii) 200,000 options to purchase 200,000 ordinary shares have an exercise price of NIS 3.573 per ordinary share, vesting on a quarterly basis over three years commencing October 22, 2015, and expire on October 22, 2025.

On January 7, 2019, our compensation committee and board of directors approved the grant, subject to shareholder approval, to Dr. Fishman of 400,000 options to purchase 400,000 ordinary shares of the Company. The options will be issued under the following terms: (i) the exercise price per each such option shall be an exercise price equal to the average price of our ordinary shares on the Tel Aviv Stock Exchange in the 30 trading days before the issuance; and (ii) such options shall vest on a quarterly basis over four years such that 25,000 options shall vest at the end of each calendar quarter and that the options shall be granted in accordance with our 2013 Share Option Plan.

Employment and Non-Competition Agreement with Motti Farbstein: On September 1, 2003 we entered into an employment and non-competition agreement with Motti Farbstein pursuant to which Mr. Farbstein began serving as our Director of Clinical Operations and Administrative Affairs on September 1, 2003 and is currently serving as our Chief Operating and Financial Officer. Mr. Farbstein's current gross monthly salary is NIS 52,000. Mr. Farbstein is entitled to an allocation to a manager's insurance policy equivalent to an amount up to 13-1/3% of his gross monthly salary, up to 2-1/2% of his gross monthly salary for disability insurance and 7-1/2% of his gross monthly salary for a study fund. The foregoing amounts are paid by us. Five percent of his gross monthly salary is deducted for the manager's insurance policy and 2-1/2% is deducted for the study fund. Mr. Farbstein is also entitled to reimbursement for reasonable out-of-pocket expenses, including travel expenses, and use of a company automobile and mobile phone.

The term of Mr. Farbstein's employment and non-competition agreement is indefinite, unless earlier terminated for just cause by either party, upon the death, disability or retirement age, or without cause by either party, subject to 60 days' advanced notice.

Mr. Farbstein is also entitled to receive options exercisable into our ordinary shares from time to time. As of February 13, 2019, we have granted him options to purchase an aggregate of 514,195 ordinary shares, of which (i) options to purchase ordinary shares were exercised into 1,133 ordinary shares, (ii) options to purchase 35, 062 ordinary shares, (iii) 100,000 options are exercisable into 4,000 ordinary shares at an exercise price of NIS 0.385 per option, are fully vested, and expire on May 2, 2022, (iv) 100,000 options are exercisable into 4,000 ordinary shares at an exercise price of NIS 0.326 per option are fully vested, and expire on March 20, 2023, (v) 10,000 options to purchase 10,000 ordinary shares at an exercise price of NIS 8.1205 per option, vesting on a quarterly basis over four years commencing March 19, 2015, and expire on March 18, 2025, (vi) 60,000 options to purchase 60,000 ordinary shares at an exercise price of NIS 4.317 per option, vesting on a quarterly basis over four years commencing February 18, 2016 and expire on February 18, 2026, (vii) 250,000 options to purchase 250,000 ordinary shares at an exercise price of NIS 2.513 per option, vesting on a quarterly basis over four years commencing December 28, 2017 and expire on December 28, 2027, and (viii) 150,000 options to purchase 150,000 ordinary shares at an exercise price of NIS 2.344 per option, vesting on a quarterly basis over four years commencing January 7, 2019 and expire on January 7, 2029.

Consulting Agreement with BioStrategics: On September 27, 2005, we entered into a consulting agreement with BioStrategics through its President, Michael Silverman pursuant to which Dr. Silverman began serving as our Medical Director. Dr. Silverman has extensive experience in clinical development acquired through his involvement in clinical development in large pharmaceutical and small biopharmaceutical companies. He was involved in international clinical research, market-oriented strategic planning, and the challenges of managing research and development portfolios in various capacities at Sterling Winthrop Research Institute and subsequently at Sandoz Research Institute.

BioStrategics' current fee is $400 per hour with a maximum daily fee of $2,600. In addition, BioStrategics is entitled to reimbursement for reasonable pre-approved expenses. The term of the consulting agreement is currently on a year-to-year basis, unless earlier terminated by either party upon 30 days' prior written notice or immediately by either party if such termination is for cause.

Master Services Agreement with Accellient Partners: On May 10, 2010, we entered into a Master Services Agreement with Accellient Partners, a company owned by William Kerns, who currently serves as our current Vice President of Drug Development. Dr. Kerns has over 20 years of experience in Pharmaceutical Research and Development at SmithKline Beecham and Eisai Pharmaceuticals. As a Senior Executive he has participated in the development of drugs for over 100 Phase I studies and 13 NDA's and/or Marketing Authorization Applications. Dr. Kerns has chaired a FDA committee on biomarkers and he is an expert in preclinical development and regulatory strategy.

According to the agreement, consulting services are provided by Accellient Partners' personnel in accordance with individual work orders that are executed from time to time. Each individual work order defines the scope of work to be provided and sets forth the fees to be paid to Accellient Partners.

Beginning on May 10, 2012, the term of the master services agreement is on a month-to-month basis, unless terminated by us upon 30 days' prior written notice, by us at any time if Accellient Partners commits a breach and fails to cure, or by Accellient Partners upon 30 days' prior written notice if we commit a breach and fail to cure.

Reinhold Cohn and Partners: Reinhold Cohn and Partners, an Israeli partnership, of which Ilan Cohn, Ph.D. is a partner provides intellectual property services to us in the ordinary course of business.

Board Practices

General

According to the Israeli Companies Law, the management of our business is vested in our Board of Directors. Our Board of Directors may exercise all powers and may take all actions that are not specifically granted to our shareholders. Our executive officers are responsible for our day-to-day management and have individual responsibilities established by our Board of Directors. Executive officers are appointed by and serve at the discretion of our Board of Directors, subject to any applicable employment agreements we have entered into with the executive officers.

Election of Directors and Terms of Office

Our Board of Directors currently consists of six members. Other than our two external directors, our directors are elected by an ordinary resolution at the annual general meeting of our shareholders. The nomination of our directors is proposed by the Board of Directors. Our board has the authority to add additional directors up to the maximum number of 12 directors allowed under our Articles. Such directors appointed by the board serve until the next annual general meeting of the shareholders. Unless they resign before the end of their term or are removed in accordance with our Articles of Association, all of our directors, other than our external directors, will serve as directors until our next annual general meeting of shareholders. On August 1, 2017, at an annual general meeting of our shareholders, Pnina Fishman, Ilan Cohn, Avi Sartani, and Guy Regev were re-elected to serve as directors for a term expiring at our next annual general meeting of shareholders and until his or her respective successor is duly elected. On July 9, 2017, the three-year term of Gil Oren, a former external director automatically expired. Mr. Oren was not eligible to be re-elected to serve as an external director for an additional term as he was elected for the maximum number of terms permitted under the Israeli Companies Law. On August 1, 2017, at an annual general meeting of our shareholders Yaacov Goldman was elected to serve as one of our external directors for a three-year term ending July 31, 2020. On December 27, 2017, at a special meeting of our shareholders, Israel Shamay was elected to serve for a three-year term ending December 26, 2020 as one of our external directors. Israel Shamay may be re-elected for another three-year term. On May 30, 2013, Ilan Cohn was appointed as Chairman of the Board.

None of our directors or senior management has any family relationship with any other director or senior management except that Sari Fishman is the daughter of Pnina Fishman. None of our directors have service contracts that provide for benefits upon termination of his or her directorship with us, other than the payment of salary due, accrued and unpaid as of and through the date of termination.

Chairman of the Board. Under the Israeli Companies Law, without shareholder approval, a person cannot hold the role of both chairman of the board of directors and chief executive officer of a company. Furthermore, a person who is directly or indirectly subordinate to a chief executive officer of a company may not serve as the chairman of the board of directors of that company and the chairman of the board of directors may not otherwise serve in any other capacity in a company or in a subsidiary of that company other than as the chairman of the board of directors of such a subsidiary.

The Israeli Companies Law provides that an Israeli company may, under certain circumstances, exculpate an office holder from liability with respect to a breach of his duty of care toward the company if appropriate provisions allowing such exculpation are included in its articles of association. Our Articles of Association permit us to maintain directors' and officers' liability insurance and to indemnify our directors and officers for actions performed on behalf of us, subject to specified limitations. We maintain a directors and officers insurance policy which covers the liability of our directors and officers as allowed under the Israeli Companies Law.

The term office holder is defined in the Israeli Companies Law as a director, general manager, chief business manager, deputy general manager, vice general manager, executive vice president, vice president, any other manager directly subordinate to the general manager or any other person assuming the responsibilities of any of the foregoing positions, without regard to such person's title.

External and Independent Directors

Under the Israeli Companies Law, the boards of directors of companies whose shares are publicly traded, either within or outside of Israel, are required to include at least two members who qualify as external directors.

External directors must be elected by a majority vote of the shares present and voting at a shareholders meeting, provided that either:

- the majority of the shares that are voted at the meeting, including at least a majority of the shares held by non-controlling shareholders who do not have a personal interest in the election of the external director (other than a personal interest not deriving from a relationship with a controlling shareholder) who voted at the meeting, excluding abstentions, vote in favor of the election of the external director; or

- the total number of shares held by non-controlling, disinterested shareholders (as described in the preceding bullet point) that are voted against the election of the external director does not exceed 2% of the aggregate voting rights in the company.

The term controlling shareholder is defined in the Israeli Companies Law as a shareholder with the ability to direct the activities of the Company, other than by virtue of being an office holder, but there is a presumption that a shareholder holding 25% of the shares of the Company is regarded as a controlling shareholder. A person may not serve as an external director of a company if (i) such person is a relative of a controlling shareholder of a company or (ii) at the date of such person's appointment or within the prior two years, such person, such person's relative, partner, employer or any entity under such person's control or anyone to whom such person is subordinate, whether directly or indirectly, has or had any affiliation with (a) the company, (b) the controlling shareholder at the time of such person's appointment or (c) any entity that is either controlled by the company or under common control with the company at the time of such appointment or during the prior two years. If a company does not have a controlling shareholder or a shareholder who holds company shares entitling him to vote at least 25% of the votes in a shareholders meeting, then a person may not serve as an external director if, such person or such person's relative, partner, employer or any entity under such person's control, has or had, on or within the two years preceding the date of the person's appointment to serve as an external director, any affiliation with the chairman of our board of directors, chief executive officer, a substantial shareholder who holds at least 5% of the issued and outstanding shares of the company or voting rights which entitle him to vote at least 5% of the votes in a shareholders meeting, or the chief financial officer of the company.

The term affiliation includes:

- an employment relationship;

- a business or professional relationship even if not maintained on a regular basis (excluding insignificant relationships);

- control; and

- service as an office holder, excluding service as a director in a private company prior to the first offering of its shares to the public if such director was appointed as a director of the private company in order to serve as an external director following the public offering.

The term relative is defined as a spouse, sibling, parent, grandparent or descendant; a spouse's sibling, parent or descendant; and the spouse of each of the foregoing persons.

In addition, no person may serve as an external director if that person's professional activities create, or may create, a conflict of interest with that person's responsibilities as a director or otherwise interfere with that person's ability to serve as an external director or if the person is an employee of the Israel Securities Authority, or ISA, or of the TASE. Furthermore, a person may not continue to serve as an external director if he or she received direct or indirect compensation from the company for his or her role as a director. This prohibition does not apply to compensation paid or given in accordance with regulations promulgated under the Israeli Companies Law or amounts paid pursuant to indemnification and/or exculpation contracts or commitments and insurance coverage. If, at the time an external director is appointed, all current members of the board of directors not otherwise affiliated with the company are of the same gender, then that external director must be of the other gender. In addition, a director of a company may not be elected as an external director of another company if, at that time, a director of the other company is acting as an external director of the first company.

Following the termination of an external director's service on a board of directors, such former external director and his or her spouse and children may not be provided with a direct or indirect benefit by the company, its controlling shareholder or any entity under its controlling shareholder's control. This includes engagement to serve as an executive officer or director of the company or a company controlled by its controlling shareholder, or employment by, or providing services to, any such company for consideration, either directly or indirectly, including through a corporation controlled by the former external director, for a period of two years (and for a period of one year with respect to relatives of the former external director).

The Israeli Companies Law provides that an external director must meet certain professional qualifications or have financial and accounting expertise and that at least one external director must have financial and accounting expertise. However, if at least one of our other directors (i) meets the independence requirements of the Securities Exchange Act of 1934, as amended, (ii) meets the standards of the NYSE American rules for membership on the audit committee and (iii) has financial and accounting expertise as defined in the Israeli Companies Law and applicable regulations, then neither of our external directors is required to possess financial and accounting expertise as long as both possess other requisite professional qualifications. Our Board of Directors is required to determine whether a director possesses financial and accounting expertise by examining whether, due to the director's education, experience and qualifications, the director is highly proficient and knowledgeable with regard to business-accounting issues and financial statements, to the extent that the director is able to engage in a discussion concerning the presentation of financial information in our financial statements, among others. The regulations define a director with the requisite professional qualifications as a director who satisfies one of the following requirements: (i) the director holds an academic degree in either economics, business administration, accounting, law or public administration; (ii) the director either holds an academic degree in any other field or has completed another form of higher education in our primary field of business or in an area which is relevant to the office of an external director; or (iii) the director has at least five years of experience serving in any one of the following, or at least five years of cumulative experience serving in two or more of the following capacities: (a) a senior business management position in a corporation with a substantial scope of business; (b) a senior position in our primary field of business; or (c) a senior position in public administration. Yaacov Goldman, who is one of our external directors, meets the required qualifications and has financial and accounting expertise as required by the Israeli Companies Law, while Guy Regev, an independent director, also meets the required qualifications and has financial and accounting expertise as required by the Israeli Companies Law.

The Israeli Companies Law defines an independent director as a director who complies with the following and was appointed as such in accordance with Chapter 1 of Part 56 of the Israeli Companies Law: (1) the director complies with the qualification to serve as an external director as set out in Sections 240 (b)-(f) of the Israeli Companies Law and the audit committee has approved such compliance; and (2) the director has not served as a director of the company for more than nine consecutive years (which, for such purpose, does not include breaks in such service for periods of less than two year).

If an external directorship becomes vacant and there are less than two external directors on the board of directors at the time, then the board of directors is required under the Israeli Companies Law to call a shareholders' meeting as soon as possible to appoint a replacement external director.

Each committee of the board of directors that is authorized to exercise the powers of the board of directors must include at least one external director, except that the audit committee and compensation committee must each include all external directors then serving on the board of directors. Under the Israeli Companies Law, external directors of a company are prohibited from receiving, directly or indirectly, any compensation for their services as external directors, other than compensation and reimbursement of expenses pursuant to applicable regulations promulgated under the Israeli Companies Law. Compensation of an external director is determined prior to his or her appointment and may not be changed during his or her term subject to certain exceptions.

Israel Shamay and Yaacov Goldman serve as external directors on our Board of Directors pursuant to the provisions of the Israeli Companies Law. They both serve on our audit committee and our compensation committee. Our Board of Directors has determined that Yaacov Goldman possesses accounting and financial expertise, and that both of our external directors possess the requisite professional qualifications. In addition to our external directors, Guy Regev and Avi Sartani serve as independent directors on our Board of Directors. Guy Regev also serves on our audit committee and our compensation committee.

Audit Committee

The Israeli Companies Law requires public companies to appoint an audit committee. The responsibilities of the audit committee include identifying irregularities in the management of our business and approving related party transactions as required by law. An audit committee must consist of at least three directors, including all of its external directors and a majority of independent directors. The chairman of the board of directors, any director employed by or otherwise providing services to the company, and a controlling shareholder or any relative of a controlling shareholder, may not be a member of the audit committee. An audit committee may not approve an action or a transaction with a controlling shareholder, or with an office holder, unless at the time of approval two external directors are serving as members of the audit committee and at least one of the external directors was present at the meeting in which an approval was granted.

Our audit committee is currently comprised of three independent non-executive directors. The audit committee is chaired by Yaacov Goldman, who serves as the audit committee financial expert, with Israel Shamay and Guy Regev as members. Our audit committee meets at least four times a year and monitors the adequacy of our internal controls, accounting policies and financial reporting. It regularly reviews the results of the ongoing risk self-assessment process, which we undertake, and our interim and annual reports prior to their submission for approval by the full Board of Directors. The audit committee oversees the activities of the internal auditor, sets its annual tasks and goals and reviews its reports. The audit committee reviews the objectivity and independence of the external auditors and also considers the scope of their work and fees.

Our audit committee provides assistance to our Board of Directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions by pre-approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal control over financial reporting. Our audit committee also oversees the audit efforts of our independent accountants and takes those actions that it deems necessary to satisfy itself that the accountants are independent of management.

Under the Israeli Companies Law, our audit committee is responsible for (i) determining whether there are deficiencies in the business management practices of our company, including in consultation with our internal auditor or the independent auditor, and making recommendations to the Board of Directors to improve such practices and amend such deficiencies, (ii) determining whether certain related party transactions (including transactions in which an office holder has a personal interest) should be deemed as material or extraordinary, and to approve such transactions (which may be approved according to certain criteria set out by our audit committee on an annual basis) (see "—Approval of related party transactions under Israeli Law"), (iii) to establish procedures to be followed in respect of related party transactions with a controlling shareholder (where such are not extraordinary transactions), which may include, where applicable, the establishment of a competitive process for such transaction, under the supervision of the audit committee, or individual, or other committee or body selected by the audit committee, in accordance with criteria determined by the audit committee; (iv) to determine procedures for approving certain related party transactions with a controlling shareholder, which having been determined by the audit committee not to be extraordinary transactions, were also determined by the audit committee not to be negligible transactions; (v) approves the working plan of the internal auditor, to examine such working plan before its submission to the Board and propose amendments thereto, (vi) examining our internal controls and internal auditor's performance, including whether the internal auditor has sufficient resources and tools to dispose of its responsibilities, (vii) examining the scope of our auditor's work and compensation and submitting a recommendation with respect thereto to our Board of Directors or shareholders, depending on which of them is considering the appointment of our auditor, and (viii) establishing procedures for the handling of employees' complaints as to the management of our business and the protection to be provided to such employees.

We have adopted a written charter for our audit committee, setting forth its responsibilities as outlined by the regulations of the SEC. In addition, our audit committee has adopted procedures for the receipt, retention and treatment of complaints we may receive regarding accounting, internal accounting controls or auditing matters and the submission by our employees of concerns regarding questionable accounting or auditing matters. In addition, SEC rules mandate that the audit committee of a listed issuer consist of at least three members, all of whom must be independent, as such term is defined by rules and regulations promulgated by the SEC. We are in compliance with the independence requirements of the SEC rules.

Any person who is not eligible to serve on the audit committee is further restricted from participating in its meetings and votes, unless the chairman of the audit committee determines that such person's presence is necessary in order to present a certain matter; provided, however, that company employees who are not controlling shareholders or relatives of such shareholders may be present in the meetings, but not for actual voting, and likewise, company counsel and secretary who are not controlling shareholders or relatives of such shareholders may be present in the meetings and for actual voting if such presence is requested by the audit committee.

In addition to the above, all such committee's members must apply with the following requirements:

- All members shall be members of the board of directors of the company.
- At least one of the committee's members shall have financial and accounting expertise and the rest of the committee's members must have the ability to read and understand financial statements.

Our company, through our audit committee, is in full compliance with the above requirements.

Financial Statement Examination Committee

Under the Israeli Companies Law, the board of directors of a public company must appoint a financial statement examination committee, which consists of members with accounting and financial expertise or the ability to read and understand financial statements. According to a resolution of our Board of Directors, the audit committee has been assigned the responsibilities and duties of a financial statements examination committee, as permitted under relevant regulations promulgated under the Israeli Companies Law. From time to time as necessary and required to approve our financial statements, the audit committee holds separate meetings, prior to the scheduled meetings of the entire Board of Directors regarding financial statement approval. The function of a financial statements examination committee is to discuss and provide recommendations to its board of directors (including the report of any deficiency found) with respect to the following issues: (i) estimations and assessments made in connection with the preparation of financial statements; (ii) internal controls related to the financial statements; (iii) completeness and propriety of the disclosure in the financial statements; (iv) the accounting policies adopted and the accounting treatments implemented in material matters of the company; (v) value evaluations, including the assumptions and assessments on which evaluations are based and the supporting data in the financial statements. Our independent auditors and our internal auditors are invited to attend all meetings of audit committee when it is acting in the role of the financial statements examination committee.

Compensation Committee

Amendment no. 20 to the Companies Law was published on November 12, 2012 and became effective on December 12, 2012, or Amendment no. 20.In general, Amendment no. 20 requires public companies to appoint a compensation committee and to adopt a compensation policy with respect to its officers, or the Compensation Policy. In addition, Amendment no. 20 addresses the corporate approval process required for a public company's engagement with its officers (with specific reference to a director, a non-director officer, a chief executive officer and controlling shareholders and their relatives who are employed by the company).

The compensation committee shall be nominated by the board of directors and be comprised of its members. The compensation committee must consist of at least three members. All of the external directors must serve on the compensation committee and constitute a majority of its members. The remaining members of the compensation committee must be directors who qualify to serve as members of the audit committee (including the fact that they are independent) and their compensation should be identical to the compensation paid to the external directors of the company.

Similar to the rules that apply to the audit committee, the compensation committee may not include the chairman of the board, or any director employed by the Company, by a controlling shareholder or by any entity controlled by a controlling shareholder, or any director providing services to the company, to a controlling shareholder or to any entity controlled by a controlling shareholder on a regular basis, or any director whose primary income is dependent on a controlling shareholder, and may not include a controlling shareholder or any of its relatives. Individuals who are not permitted to be compensation committee members may not participate in the committee's meetings other than to present a particular issue; provided, however, that an employee that is not a controlling shareholder or relative may participate in the committee's discussions, but not in any vote, and our legal counsel and corporate secretary may participate in the committee's discussions and votes if requested by the committee.

The roles of the compensation committee are, among others, to: (i) recommend to the board of directors the Compensation Policy for office holders and recommend to the board once every three years the extension of a Compensation Policy that had been approved for a period of more than three years; (ii) recommend to the directors any update of the Compensation Policy, from time to time, and examine its implementation; (iii) decide whether to approve the terms of office and of employment of office holders that require approval of the compensation committee; and (iv) decide, in certain circumstances, whether to exempt the approval of terms of office of a chief executive officer from the requirement of shareholder approval.

The compensation policy requires the approval of the general meeting of shareholders with a "Special Majority", which requires a majority of the shareholders of the company who are not either a controlling shareholder or an "interested party" in the proposed resolution, or that shareholders holding less than 2% of the voting power in the company voted against the proposed resolution at such meeting. However, under special circumstances, the board of directors may approve the compensation policy without shareholder approval, if the compensation committee and thereafter the board of directors decided, based on substantiated reasons after they have reviewed the compensation policy again, that the compensation policy is in the best interest of the company. The Compensation Policy is required to be brought before the shareholders of the Company once every three years for approval.

Under the Israeli Companies Law, our compensation policy must generally serve as the basis for corporate approvals with respect to the financial terms of employment or engagement of office holders, including exemption, insurance, indemnification or any monetary payment or obligation of payment in respect of employment or engagement. The compensation policy must relate to certain factors, including advancement of the company's objective, the company's business plan and its long term strategy, and creation of appropriate incentives for office holders. It must also consider, among other things, the company's risk management, size and nature of its operations. The compensation policy must furthermore consider the following additional factors:

- The knowledge, skills, expertise, and accomplishments of the relevant office holder;

- The office holder's roles and responsibilities and prior compensation agreements with him or her;
- The relationship between the terms offered and the average compensation of the other employees of the company, including those employed through manpower companies;
- The impact of disparities in salary upon work relationships in the company;
- The possibility of reducing variable compensation at the discretion of the board of directors; the possibility of setting a limit on the exercise value of non-cash variable equity-based compensation; and
- As to severance compensation, the period of service of the office holder, the terms of his or her compensation during such service period, the company's performance during that period of service, the person's contributions towards the company's achievement of its goals and the maximization of its profits, and the circumstances under which the person is leaving the company.

The Compensation Policy must also include the following principles:

- the link between variable compensation and the long term performance and measurable criteria;
- the relationship between variable and fixed compensation, and the ceiling for the value of variable compensation;
- the conditions under which an office holder would be required to repay compensation paid to him or her if it was later shown that the data upon which such compensation was based was inaccurate and was required to be restated in the company's financial statements;
- the minimum holding or vesting period for variable, equity-based compensation; and
- maximum limits for severance compensation.

The Compensation Policy was approved by the general meeting of shareholders on January 19, 2017 after discussions and recommendation of the compensation committee and approval by the Board of Directors. Moreover, the approval of the compensation committee is required in order to approve terms of office and/or employment of office holders.

Yaacov Goldman is the chairman of our compensation committee. Israel Shamay and Guy Regev serve as the other members of our compensation committee.

Under Amendment no. 27 to the Israeli Companies Law, which became effective as of February 17, 2016, the audit committee of an Israeli public company which has been established and conducts itself also in accordance with provisions governing the composition of the compensation committee as set forth in the Israeli Companies Law, may act in lieu of a compensation committee with respect to the responsibilities of a compensation committee which are set forth in the Israeli Companies Law.

Approval of Related Party Transactions under the Israeli Companies Law

Fiduciary duties of the office holders

The Israeli Companies Law imposes a duty of care and a duty of loyalty on all office holders of a company. The duty of care of an office holder is based on the duty of care set forth in connection with the tort of negligence under the Israeli Torts Ordinance (New Version) 5728-1968. This duty of care requires an office holder to act with the degree of proficiency with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care includes a duty to use reasonable means, in light of the circumstances, to obtain:

- information on the advisability of a given action brought for his or her approval or performed by virtue of his or her position; and
- all other important information pertaining to these action

The duty of loyalty requires an office holder to act in good faith and for the benefit of the company, and includes the duty to:

- refrain from any act involving a conflict of interest between the performance of his or her duties in the company and his or her other duties or personal affairs;
- refrain from any activity that is competitive with the business of the company;
- refrain from exploiting any business opportunity of the company for the purpose of gaining a personal advantage for himself or herself or others; and
- disclose to the company any information or documents relating to our affairs which the office holder received as a result of his or her position as an office holder.

We may approve an act performed in breach of the duty of loyalty of an office holder provided that the office holder acted in good faith, the act or its approval does not harm the company, and the office holder discloses his or her personal interest, as described below.

Disclosure of personal interests of an office holder and approval of acts and transactions

The Israeli Companies Law requires that an office holder promptly disclose to the company any personal interest that he or she may have and all related material information or documents relating to any existing or proposed transaction by the company. An interested office holder's disclosure must be made promptly and in any event no later than the first meeting of the board of directors at which the transaction is considered. An office holder is not obligated to disclose such information if the personal interest of the office holder derives solely from the personal interest of his or her relative in a transaction that is not considered as an extraordinary transaction.

The term personal interest is defined under the Israeli Companies Law to include the personal interest of a person in an action or in the business of a company, including the personal interest of such person's relative or the interest of any corporation in which the person is an interested party, but excluding a personal interest stemming solely from the fact of holding shares in the company. A personal interest furthermore includes the personal interest of a person for whom the office holder holds a voting proxy or the interest of the office holder with respect to his or her vote on behalf of the shareholder for whom he or she holds a proxy even if such shareholder itself has no personal interest in the approval of the matter. An office holder is not, however, obliged to disclose a personal interest if it derives solely from the personal interest of his or her relative in a transaction that is not considered an extraordinary transaction.

Under the Israeli Companies Law, an extraordinary transaction which requires approval is defined as any of the following:

- a transaction other than in the ordinary course of business;
- a transaction that is not on market terms; or
- a transaction that may have a material impact on our profitability, assets or liabilities.

Under the Israeli Companies Law, once an office holder has complied with the disclosure requirement described above, a company may approve a transaction between the company and the office holder or a third party in which the office holder has a personal interest, or approve an action by the office holder that would otherwise be deemed a breach of duty of loyalty. However, a company may not approve a transaction or action that is adverse to our interest or that is not performed by the office holder in good faith.

Under the Israeli Companies Law, unless the articles of association of a company provide otherwise, a transaction with an office holder, a transaction with a third party in which the office holder has a personal interest, and an action of an office holder that would otherwise be deemed a breach of duty of loyalty requires approval by the board of directors. Our Articles of Association do not provide otherwise. If the transaction or action considered is (i) an extraordinary transaction, (ii) an action of an office holder that would otherwise be deemed a breach of duty of loyalty and may have a material impact on a company's profitability, assets or liabilities, (iii) an undertaking to indemnify or insure an office holder who is not a director, or (iv) for matters considered an undertaking concerning the terms of compensation of an office holder who is not a director, including, an undertaking to indemnify or insure such office holder, then approval by the audit committee is required prior to approval by the board of directors. Arrangements regarding the compensation, indemnification or insurance of a director require the approval of the audit committee, board of directors and shareholders, in that order.

A director who has a personal interest in a matter that is considered at a meeting of the board of directors or the audit committee may generally not be present at the meeting or vote on the matter, unless a majority of the directors or members of the audit committee have a personal interest in the matter or the chairman of the audit committee or board of directors, as applicable, determines that he or she should be present to present the transaction that is subject to approval. If a majority of the directors have a personal interest in the matter, such matter would also require approval of the shareholders of the company.

Disclosure of personal interests of a controlling shareholder and approval of transactions

Under the Israeli Companies Law and a recent amendment thereto, the disclosure requirements that apply to an office holder also apply to a controlling shareholder of a public company. See "— Audit Committee" for a definition of controlling shareholder. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, including a private placement in which a controlling shareholder has a personal interest, as well as transactions for the provision of services whether directly or indirectly by a controlling shareholder or his or her relative, or a company such controlling shareholder controls, and transactions concerning the terms of engagement of a controlling shareholder or a controlling shareholder's relative, whether as an office holder or an employee, require the approval of the audit committee, the board of directors and a majority of the shares voted by the shareholders of the company participating and voting on the matter in a shareholders' meeting. In addition, such shareholder approval must fulfill one of the following requirements:

- at least a majority of the shares held by shareholders who have no personal interest in the transaction and are voting at the meeting must be voted in favor of approving the transaction, excluding abstentions; or

- the shares voted by shareholders who have no personal interest in the transaction who vote against the transaction represent no more than 2% of the voting rights in the company.

To the extent that any such transaction with a controlling shareholder is for a period extending beyond three years, approval is required once every three years, unless the audit committee determines that the duration of the transaction is reasonable given the circumstances related thereto.

Duties of shareholders

Under the Israeli Companies Law, a shareholder has a duty to refrain from abusing its power in the company and to act in good faith and in an acceptable manner in exercising its rights and performing its obligations to the company and other shareholders, including, among other things, voting at general meetings of shareholders on the following matters:

- an amendment to the articles of association;

- an increase in our authorized share capital;
- a merger;
- an increase in our authorized share capital; and
- the approval of related party transactions and acts of office holders that require shareholder approval.

A shareholder also has a general duty to refrain from discriminating against other shareholders.

The remedies generally available upon a breach of contract will also apply to a breach of the above mentioned duties, and in the event of discrimination against other shareholders, additional remedies are available to the injured shareholder.

In addition, any controlling shareholder, any shareholder that knows that its vote can determine the outcome of a shareholder vote and any shareholder that, under a company's articles of association, has the power to appoint or prevent the appointment of an office holder, or has another power with respect to a company, is under a duty to act with fairness towards the company. The Israeli Companies Law does not describe the substance of this duty except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness, taking the shareholder's position in the company into account.

Exculpation, Insurance and Indemnification of Directors and Officers

Under the Israeli Companies Law, a company may not exculpate an office holder from liability for a breach of the duty of loyalty. An Israeli company may exculpate an office holder in advance from liability to us, in whole or in part, for damages caused to us as a result of a breach of duty of care but only if a provision authorizing such exculpation is included in its articles of association. Our amended and restated articles of association include such a provision. We may not exculpate in advance a director from liability arising out of a prohibited dividend or distribution to shareholders.

Under the Israeli Companies Law and the Israeli Securities Law, a company may indemnify, or undertake in advance to indemnify, an office holder, provided its articles of association include a provision authorizing such indemnification, for the following liabilities and expenses imposed on an office holder or incurred by office holder due to acts performed by him or her as an office holder:

- Financial liability incurred by or imposed on him or her in favor of another person pursuant to a judgment, including a settlement or arbitrator's award approved by a court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on our activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the abovementioned foreseen events and amount or criteria;
- Reasonable litigation expenses, including attorneys' fees, incurred by the office holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding; and (ii) no financial liability was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent or as a monetary sanction;
- Reasonable litigation expenses, including attorneys' fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by us, on our behalf, or by a third party, or in connection with criminal proceedings in which the office holder was acquitted, or as a result of a conviction for an offense that does not require proof of criminal intent; and

- Expenses, including reasonable litigation expenses and legal fees, incurred by an office holder in relation to an administrative proceeding instituted against such office holder, or certain compensation payments required to be made to an injured party, pursuant to certain provisions of the Israeli Securities Law.

Under the Israeli Companies Law, a company may insure an office holder against the following liabilities incurred for acts performed by him or her as an office holder if and to the extent provided in the Company's articles of association:

- a breach of the duty of loyalty to us, provided that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm us;

- a breach of duty of care to us or to a third party; and

- a financial liability imposed on the office holder in favor of a third party.

Subject to the provisions of the Companies Law and the Securities Law, we may also enter into a contract to insure an office holder, in respect of expenses, including reasonable litigation expenses and legal fees, incurred by an office holder in relation to an administrative proceeding instituted against such office holder or payment required to be made to an injured party, pursuant to certain provisions of the Securities Law.

Nevertheless, under the Israeli Companies Law, a company may not indemnify, exculpate or insure an office holder against any of the following:

- a breach of fiduciary duty, except for indemnification and insurance for a breach of the duty of loyalty to us in the event office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice us;

- a breach of duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;

- an act or omission committed with intent to derive unlawful personal benefit; or

- a fine, monetary sanction, penalty or forfeit levied against the office holder.

Under the Israeli Companies Law, exculpation, indemnification and insurance of office holders require the approval of the compensation committee, board of directors and, in certain circumstances, the shareholders. Our amended and restated articles of association permit us to exculpate, indemnify and insure our office holders to the fullest extent permitted by the Israeli Companies Law.

Approval of Compensation to Our Officers

The Israeli Companies Law prescribes that compensation to officers must be approved by a company's Board of Directors after obtaining the approval of the compensation committee.

As detailed above, our compensation committee consists of three independent directors: Israel Shamay, Yaacov Goldman and Guy Regev. The responsibilities of the compensation committee are to set our overall policy on executive remuneration and to decide the specific remuneration, benefits and terms of employment for directors, officers and the Chief Executive Officer.

The objectives of the compensation committee's policies are that such individuals should receive compensation which is appropriate given their performance, level of responsibility and experience. Compensation packages should also allow us to attract and retain executives of the necessary caliber while, at the same time, motivating them to achieve the highest level of corporate performance in line with the best interests of shareholders. In order to determine the elements and level of remuneration appropriate to each executive director, the compensation committee reviews surveys on executive pay, obtains external professional advice and considers individual performance.

Internal Auditor

Under the Israeli Companies Law, the board of directors must appoint an internal auditor, nominated by the audit committee. The role of the internal auditor is to examine, among other matters, whether our actions comply with the law and orderly business procedure. Under the Israeli Companies Law, an internal auditor may not be:

- a person (or a relative of a person) who holds more than 5% of our ordinary;
- a person (or a relative of a person) who has the power to appoint a director or the general manager of the company;
- an executive officer or director of the company (or a relative thereof); or
- a member of our independent accounting firm, or anyone on his or her behalf.

We comply with the requirement of the Israeli Companies Law relating to internal auditors. Our internal auditors examine whether our various activities comply with the law and orderly business procedure. Our current internal auditor is Deloitte.

Employees.

As of February 13, 2019, we had seven employees, three of whom were employed in management and administration, three of whom were employed in research and development and one of whom was employed in business development. All of these employees were located in Israel.

While none of our employees are party to any collective bargaining agreements, certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Industrialists' Associations) are applicable to our employees by order of the Israel Ministry of Labor. These provisions primarily concern the length of the workday, minimum daily wages for professional workers, pension fund benefits for all employees, insurance for work-related accidents, procedures for dismissing employees, determination of severance pay and other conditions of employment. We generally provide our employees with benefits and working conditions beyond the required minimums. We have never experienced any employment-related work stoppages and believe our relationship with our employees is good.

Share Ownership.

The following table sets forth information regarding the beneficial ownership of our outstanding ordinary shares as of February 13, 2019 by the members of our senior management and board of directors individually and as a group. The beneficial ownership of ordinary shares is based on the 44,875,482 ordinary shares outstanding as of February 13, 2019 and is determined in accordance with the rules of the SEC and generally includes any ordinary shares over which a person exercises sole or shared voting or investment power. For purposes of the table below, we deem shares subject to options or warrants that are currently exercisable or exercisable within 60 days of February 13, 2019, to be outstanding and to be beneficially owned by the person holding the options or warrants for the purposes of computing the percentage ownership of that person but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person.

Name of Beneficial Owner	Number of Ordinary Shares	Percentage of Class*
Senior Management and Directors		
Ilan Cohn, Ph.D.	148,567(1)	*
Pnina Fishman, Ph.D.	570,633(2)	1.3%
Motti Farbstein	151,757(3)	*
Sari Fishman, Ph.D.	137,375(4)	*
Guy Regev	49,240(5)	*
Abraham Sartani, M.D.	19,000(6)	*
Israel Shamay	15,000(7)	*
Yaacov Goldman	15,000(7)	*
Senior Management and Directors as a group (8 persons)	1,106,572	2.5%
Holders of more than 5% of our voting securities		
Anson Investments Master Fund LP(8)	4,476,192	9.9%

* Denotes less than 1%

(1) Represents 133,567 ordinary shares, and (ii) 15,000 unregistered options to purchase 15,000 ordinary shares at an exercise price of NIS 2.926 per option and expire on November 8, 2027. Excludes 33,000 unregistered options to purchase 33,000 ordinary shares that vest in more than 60 days from February 13, 2019.

(2) Represents (i) 263,433 ordinary shares, (ii) 2,680,000 unregistered options to purchase 107,200 ordinary shares at an exercise price of NIS 0.644 per option and expiring on January 13, 2021 and (iii) 200,000 unregistered options to purchase 200,000 ordinary shares at an exercise price of NIS 3.573 per option and expire on October 22, 2025.

(3) Represents (i) 1,257 ordinary shares, (ii) 100,000 are exercisable into 4,000 ordinary shares at an exercise price of NIS 0.385 per option and expire on May 2, 2022, and (iii) 100,000 are exercisable into 4,000 ordinary shares at an exercise price of NIS 0.326 per option and expire on March 20, 2023, and (iv) 10,000 unregistered options to purchase 10,000 ordinary shares at an exercise price of NIS 8.1205 per option and expire on March 18, 2025, (v) 45,000 unregistered options to purchase 45,000 ordinary shares at an exercise price of NIS 4.317 per option and expire on February 18, 2026, (vi) 78,125 unregistered options to purchase 78,125 ordinary shares at an exercise price of NIS 2.513 per option and expire on December 28, 2027 and (vii) 9,375 unregistered options to purchase 9,375 ordinary shares at an exercise price of NIS 2.344 per option and expire on January 7, 2029. Excludes 327,500 unregistered options to purchase 327,500 ordinary shares that vest in more than 60 days from February 13, 2019.

(4) Represents (i) 100,000 are exercisable into 4,000 ordinary shares at an exercise price of NIS 0.385 per option and expire on May 2, 2022, (ii) 100,000 are exercisable into 4,000 ordinary shares at an exercise price of NIS 0.326 per option and expire on March 20, 2023, and (iii) (1) 10,000 unregistered options to purchase 10,000 ordinary shares at an exercise price of NIS 8.1205 per option and expire on March 18, 2025, (iv) 30,000 unregistered options to purchase 30,000 ordinary shares at an exercise price of NIS 4.317 per option and expire on February 18, 2026, (v) 35,000 unregistered options to purchase 35,000 ordinary shares at an exercise price of NIS 3.662 per option and expire on March 30, 2027, and (vi) 46,875 unregistered options to purchase 46,875 ordinary shares at an exercise price of NIS 2.513 per option and expire on December 30, 2027 and (viii) 7,500 unregistered options to purchase 7,500 ordinary shares at an exercise price of NIS 2.344 per option and expire on January 7, 2029. Excludes 270,625 unregistered options to purchase 270,625 ordinary shares that vest in more than 60 days from February 13, 2018.

(5) Represents (i) 24,240 ordinary shares, (ii) 250,000 unregistered options are exercisable into 10,000 ordinary shares at an exercise price of NIS 0.60 per option and expire on May 2, 2023, (iii) 15,000 unregistered options are exercisable into 15,000 ordinary shares at an exercise price of NIS 2.926 per option and expire on December 28, 2027. Excludes 33,000 unregistered options to purchase 33,000 ordinary shares that vest in more than 60 days from February 13, 2019.

(6) Represents (i) 100,000 unregistered options to purchase 4,000 ordinary shares at an exercise price of NIS 0.60 per option and expire on August 14, 2022, and (ii) 15,000 unregistered options to purchase 15,000 ordinary shares at an exercise price of NIS 2.926 per option and expire on November 8, 2027. Excludes 33,000 unregistered options to purchase 33,000 ordinary shares that vest in more than 60 days from February 13, 2019.

(7) Represents 15,000 unregistered options to purchase 15,000 ordinary shares at an exercise price of NIS 2.926 per option and expire on November 8, 2027. Excludes 33,000 unregistered options to purchase 33,000 ordinary shares that vest in more than 60 days from February 13, 2019.

(8) Based on information contained in a Schedule 13G filed with the SEC on February 4, 2019 jointly by Anson Funds Management LP (d/b/a Anson Group) ("AFM"), Anson Management GP LLC ("AM"), Bruce R. Winson, the principal of AFM and AM, Anson Advisors Inc. (d/b/a Anson Funds) ("AA"), Amin Nathoo, a director of AA, and Moez Kassam, a director of AA. AMF and AA serve as co-investment advisors to a private fund (the "Fund") and may direct the vote and disposition of the 4,476,192 ordinary shares represented by ADSs held by the Fund. As the general partner of AMF, AM may direct the vote and disposition of the 4,476,192 ordinary shares represented by ADSs held by the Fund. As the principal of AFM and AM, Mr. Winson may direct the vote and disposition of the 4,476,192 ordinary shares represented by ADSs held by the Fund. As directors of AA, Mr. Nathoo and Mr. Kassam may each direct the vote and disposition of the 4,476,192 ordinary shares represented by ADSs held by the Fund.

To our knowledge the significant changes in the percentage of ownership held by our major shareholders reported in our Annual Reports on Form 20-F during the past three have been (i) the decrease in 2016 below 5%, the increase above 5% in 2018 and the later decrease below 5% in the percentage ownership held by Sabby Management, LLC, and (ii) the increase in 2018 above 5%, the later decrease below 5% and the increase above 5% in 2019 in the percentage ownership held by Anson.

The Bank of New York Mellon, or BNY, is the holder of record for our ADR program, pursuant to which each ADS represents 2 ordinary shares. As of February 13, 2019, BNY held 30,579,440 ordinary shares representing approximately 68% of the outstanding ordinary shares at that date. Certain of these ordinary shares were held by brokers or other nominees. As a result, the number of holders of record or registered holders in the United States is not representative of the number of beneficial holders or of the residence of beneficial holders.

Share Option Plans

We maintain the following share option plans for our and our subsidiary's employees, directors and consultants. In addition to the discussion below, see Note 12b of our consolidated financial statements, included in "Item 18. Financial Statements" of our Form 20-F for the year ended December 31, 2017.

Our Board of Directors administers our share option plans and has the authority to designate all terms of the options granted under our plans including the grantees, exercise prices, grant dates, vesting schedules and expiration dates, which may be no more than ten years after the grant date. Options may not be granted with an exercise price of less than the fair market value of our ordinary shares on the date of grant, unless otherwise determined by our Board of Directors.

As of February 13, 2019, options to purchase an aggregate of 1,777,401 ordinary shares, par value NIS 0.25, are outstanding pursuant to the 2003 and 2013 share option plans.

2003 Share Option Plan

Under the 2003 Plan we granted options during the period between 2003 and 2013, at exercise prices between NIS 0.25 and NIS 31.175 per ordinary share, par value NIS 0.25. Options to purchase up to 1,132,514 ordinary shares, par value NIS 0.25, were available to be granted under the 2003 Plan. As of February 13, 2019, 3,810,000 options to purchase 152,400 ordinary shares were outstanding. Options granted to Israeli employees were in accordance with section 102 of the Income Tax Ordinance, 1961, or the Tax Ordinance, under the capital gains option set forth in section 102(b)(2) of the Tax Ordinance. The options are non-transferable.

The option term is for a period of ten years from the grant date. The options were granted for no consideration. The options vest over a four or two year period. As of February 13, 2019, 152,400 options to purchase 152,400 ordinary shares, par value NIS 0.25, were fully vested.

2013 Share Option Plan

Under the 2013 Plan we granted options at exercise prices between NIS 3.573 and NIS 12 per ordinary share, par value NIS 0.25. Options to purchase up to 2,500,000 ordinary shares, par value NIS 0.25, were available to be granted under the 2013 Plan. As of February 13, 2019, 1,625,000 options to purchase 1,625,000 ordinary shares were outstanding. Options granted to Israeli employees were in accordance with section 102 of the Income Tax Ordinance, 1961, or the Tax Ordinance, under the capital gains option set forth in section 102(b)(2) of the Tax Ordinance. The options are non-transferable.

The option term is for a period of ten years from the grant date. The options were granted for no consideration. The options vest over a four year period. As of February 13, 2019, options to purchase 607,817 ordinary shares, par value NIS 0.25, were fully vested.

SELLING SHAREHOLDERS

The ordinary shares represented by ADSs being offered by the selling shareholders are those ordinary shares represented by ADSs issuable upon exercise of warrants previously issued in connection with our private placement that closed in January 2019. For additional information regarding the issuance of those ADSs and warrants to purchase ADSs, see "Prospectus Summary – January 2019 Financing" above. We are registering the ordinary shares represented by ADSs in order to permit the selling shareholders to offer the ordinary shares represented by ADSs for resale from time to time. Other than with respect to H.C. Wainwright & Co. LLC, or H.C. Wainwright, which acted as our placement agent in the January 2019 financing, and previously has acted as a placement agent for us in financings in March 2018, January 2017, October 2015, September 2015 and December 2014, except for the ownership of the warrants and placement agent warrants issued, and the ADSs issued and issuable, pursuant to prior financings, the selling shareholders have not had any material relationship with us within the past three years.

The table below lists the selling shareholders and other information regarding the beneficial ownership of the ordinary shares represented by ADSs by each of the selling shareholders. The second column lists the number of ordinary shares represented by ADSs beneficially owned by each selling stockholder, based on its ownership of ADSs and warrants or placement agent warrants to purchase ADSs, as of February 13, 2019, assuming exercise of the warrants or placement agent warrants held by the selling shareholders on that date, without regard to any limitations on conversions or exercises. The third column lists the maximum number of ordinary shares represented by ADSs being offered in this prospectus by the selling shareholders. The fourth and fifth columns list the amount of ordinary shares represented by ADSs owned after the offering, by number of ordinary shares represented by ADSs and percentage of outstanding ordinary shares, assuming in both cases the sale of all of the ordinary shares represented by ADSs offered by the selling shareholders pursuant to this prospectus, and without regard to any limitations on conversions or exercises.

Under the terms of the warrants and placement agent warrants issued in the January 2019 financing, as well as the applicable financings in March 2018, January 2017, October 2015, September 2015 and December 2014, a selling stockholder may not exercise the warrants to the extent such exercise would cause such selling stockholder, together with its affiliates, to beneficially own a number of ordinary shares which would exceed 4.99% of our then outstanding ordinary shares following such exercise, excluding for purposes of such determination ordinary shares not yet issuable upon exercise of the warrants and placement agent warrants which have not been exercised. The number of shares does not reflect this limitation. The selling shareholders may sell all, some or none of their ordinary shares represented by ADSs or warrants or placement agent warrants in this offering. See "Plan of Distribution."

Selling Shareholder	Number of Ordinary Shares Owned Prior to Offering	Maximum Number of Ordinary Shares to be Sold Pursuant to this Prospectus	Number of Ordinary Shares Owned After the Offering	Percentage of Ordinary Shares Owned After the Offering
Anson Investments Master Fund LP (1)	9,169,090(2)	4,476,192(3)	4,692,898(4)	9.5%
Michael Vasinkevich (5)	793,577(6)	144,357(7)	649,220(8)	1.4%
Michael Mirsky (5)	171,642(9)	21,262(10)	150,380(11)	*
Noam Rubinstein (5)	173,534(12)	49,238(13)	124,296(14)	*
Charles Worthman (5)	12,148(15)	2,238(16)	9,910(17)	*
Mark Viklund (5)	26,446(18)	6,714(19)	19,732(20)	*

* Denotes less than 1%

(1) Anson Advisors Inc. and Anson Funds Management LP, the co-investment advisers of Anson Investments Master Fund LP, or Anson, hold voting and dispositive power over the ordinary shares held by Anson. Bruce Winson is the managing member of Anson Management GP LLC, which is the general partner of Anson Funds Management LP. Moez Kassam and Amin Nathoo are directors of Anson Advisors Inc. Mr. Winson, Mr. Kassam and Mr. Nathoo each disclaim beneficial ownership of these ordinary shares except to the extent of their pecuniary interest therein. The principal business address of Anson is 190 Elgin Avenue, George Town, Grand Cayman.

(2) Represents (i) 2,192,896 ordinary shares represented by 1,096,448 ADSs, (ii) 2,500,002 ordinary shares represented by 1,250,001 ADSs issuable upon exercise of warrants issued in our March 2018 financing and (iii) 4,476,192 ordinary shares represented by 2,238,096 ADSs issuable upon exercise of warrants issued in our January 2019 financing.

(3) Represents 4,476,192 ordinary shares represented by 2,238,096 ADSs issuable upon exercise of warrants issued in our January 2019 financing.

(4) Represents (i) 2,192,896 ordinary shares represented by 1,096,448 ADSs, and (ii) 2,500,002 ordinary shares represented by 1,250,001 ADSs issuable upon exercise of warrants issued in our March 2018 financing

(5) Referenced person is affiliated with H.C. Wainwright, a registered broker dealer.

(6) Represents (i) 57,978 ordinary shares represented by 28,989 ADSs issuable upon exercise of placement agent warrants issued in connection with our December 2014 financing, (ii) 133,448 ordinary shares represented by 66,724 ADSs issuable upon exercise of placement agent warrants issued in connection with our September 2015 financing, (iii) 71,544 ordinary shares represented by 35,772 ADSs issuable upon exercise of placement agent warrants issued in connection with our October 2015 financing, (iv) 161,250 ordinary shares represented by 80,625 ADSs issuable upon exercise of placement agent warrants issued in our January 2017 financing, (v) 225,000 ordinary shares represented by 112,500 ADSs issuable upon exercise of placement agent warrants issued in our March 2018 financing, and (vi) 144,357 ordinary shares represented by 72,179 ADSs issuable upon exercise of placement agent warrants issued in our January 2019 financing.

(7) Represents 144,357 ordinary shares represented by 72,179 ADSs issuable upon exercise of placement agent warrants issued in our January 2019 financing.

(8) Represents (i) 57,978 ordinary shares represented by 28,989 ADSs issuable upon exercise of placement agent warrants issued in connection with our December 2014 financing, (ii) 133,448 ordinary shares represented by 66,724 ADSs issuable upon exercise of placement agent warrants issued in connection with our September 2015 financing, (iii) 71,544 ordinary shares represented by 35,772 ADSs issuable upon exercise of placement agent warrants issued in connection with our October 2015 financing, (iv) 161,250 ordinary shares represented by 80,625 ADSs issuable upon exercise of placement agent warrants issued in our January 2017 financing, and (v) 225,000 ordinary shares represented by 112,500 ADSs issuable upon exercise of placement agent warrants issued in our March 2018 financing.

(9) Represents (i) 17,080 ordinary shares represented by 8,540 ADSs issuable upon exercise of placement agent warrants issued in connection with our December 2014 financing, (ii) 39,310 ordinary shares represented by 19,655 ADSs issuable upon exercise of placement agent warrants issued in connection with our September 2015 financing, (iii) 21,074 ordinary shares represented by 10,537 ADSs issuable upon exercise of placement agent warrants issued in connection with our October 2015 financing, (iv) 41,250 ordinary shares represented by 20,625 ADSs issuable upon exercise of warrants issued in our January 2017 financing, and (v) 31,666 ordinary shares represented by 15,833 ADSs issuable upon exercise of placement agent warrants issued in our March 2018 financing, and (vi) 21,262 ordinary shares represented by 10,631 ADSs issuable upon exercise of placement agent warrants issued in our January 2019 financing.

(10) Represents 21,262 ordinary shares represented by 10,631 ADSs issuable upon exercise of placement agent warrants issued in our January 2019 financing.

(11) Represents (i) 17,080 ordinary shares represented by 8,540 ADSs issuable upon exercise of placement agent warrants issued in connection with our December 2014 financing, (ii) 39,310 ordinary shares represented by 19,655 ADSs issuable upon exercise of placement agent warrants issued in connection with our September 2015 financing, (iii) 21,074 ordinary shares represented by 10,537 ADSs issuable upon exercise of placement agent warrants issued in connection with our October 2015 financing, (iv) 41,250 ordinary shares represented by 20,625 ADSs issuable upon exercise of warrants issued in our January 2017 financing, and (v) 31,666 ordinary shares represented by 15,833 ADSs issuable upon exercise of placement agent warrants issued in our March 2018 financing.

(12) Represents (i) 11,236 ordinary shares represented by 5,618 ADSs issuable upon exercise of placement agent warrants issued in connection with our December 2014 financing, (ii) 25,862 ordinary shares represented by 12,931 ADSs issuable upon exercise of placement agent warrants issued in connection with our September 2015 financing, (iii) 13,864 ordinary shares represented by 6,932 ADSs issuable upon exercise of placement agent warrants issued in connection with our October 2015 financing, (iv) 73,334 ordinary shares represented by 36,667 ADSs issuable upon exercise of placement agent warrants issued in our March 2018 financing and (v) 49,238 ordinary shares represented by 24,619 ADSs issuable upon exercise of placement agent warrants issued in our January 2019 financing.

(13) Represents 49,238 ordinary shares represented by 24,619 ADSs issuable upon exercise of placement agent warrants issued in our January 2019 financing.

(14) Represents (i) 11,236 ordinary shares represented by 5,618 ADSs issuable upon exercise of placement agent warrants issued in connection with our December 2014 financing, (ii) 25,862 ordinary shares represented by 12,931 ADSs issuable upon exercise of placement agent warrants issued in connection with our September 2015 financing, (iii) 13,864 ordinary shares represented by 6,932 ADSs issuable upon exercise of placement agent warrants issued in connection with our October 2015 financing, and (iv) 73,334 ordinary shares represented by 36,667 ADSs issuable upon exercise of placement agent warrants issued in our March 2018 financing.

(15) Represents (i) 898 ordinary shares represented by 449 ADSs issuable upon exercise of placement agent warrants issued in connection with our December 2014 financing, (ii) 2,068 ordinary shares represented by 1,034 ADSs issuable upon exercise of placement agent warrants issued in connection with our September 2015 financing, (iii) 1,110 ordinary shares represented by 555 ADSs issuable upon exercise of placement agent warrants issued in connection with our October 2015 financing, (iv) 2,500 ordinary shares represented by 1,250 ADSs issuable upon exercise of placement agent warrants issued in connection with our January 2017 financing, (v) 3,334 ordinary shares represented by 1,667 ADSs issuable upon exercise of placement agent warrants issued in our March 2018 financing, and (iv) 2,238 ordinary shares represented by 1,119 ADSs issuable upon exercise of placement agent warrants issued in our January 2019 financing.

(16) Represents 2,238 ordinary shares represented by 1,119 ADSs issuable upon exercise of placement agent warrants issued in our January 2019 financing.

(17) Represents (i) 898 ordinary shares represented by 449 ADSs issuable upon exercise of placement agent warrants issued in connection with our December 2014 financing, (ii) 2,068 ordinary shares represented by 1,034 ADSs issuable upon exercise of placement agent warrants issued in connection with our September 2015 financing, (iii) 1,110 ordinary shares represented by 555 ADSs issuable upon exercise of placement agent warrants issued in connection with our October 2015 financing, and (iv) 2,500 ordinary shares represented by 1,250 ADSs issuable upon exercise of placement agent warrants issued in connection with our January 2017 financing, and (v) 3,334 ordinary shares represented by 1,667 ADSs issuable upon exercise of placement agent warrants issued in our March 2018 financing.

(18) Represents (i) 2,696 ordinary shares represented by 1,348 ADSs issuable upon exercise of placement agent warrants issued in connection with our December 2014 financing, (ii) 6,208 ordinary shares represented by 3,104 ADSs issuable upon exercise of placement agent warrants issued in connection with our September 2015 financing, (iii) 3,328 ordinary shares represented by 1,664 ADSs issuable upon exercise of placement agent warrants issued in connection with our October 2015 financing, (iv) 7,500 ordinary shares represented by 3,750 ADSs issuable upon exercise of placement agent warrants issued in connection with our January 2017 financing, and (v) 6,714 ordinary shares represented by 3,357 ADSs issuable upon exercise of placement agent warrants issued in our January 2019 financing.

(19) Represents 6,714 ordinary shares represented by 3,357 ADSs issuable upon exercise of placement agent warrants issued in our January 2019 financing.

(20) Represents (i) 2,696 ordinary shares represented by 1,348 ADSs issuable upon exercise of placement agent warrants issued in connection with our December 2014 financing, (ii) 6,208 ordinary shares represented by 3,104 ADSs issuable upon exercise of placement agent warrants issued in connection with our September 2015 financing, (iii) 3,328 ordinary shares represented by 1,664 ADSs issuable upon exercise of placement agent warrants issued in connection with our October 2015 financing, and (iv) 7,500 ordinary shares represented by 3,750 ADSs issuable upon exercise of placement agent warrants issued in connection with our January 2017 financing.

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders.

Except as set forth in "Share Ownership," to the best of our knowledge, no other person who we know beneficially owns 5.0% or more of the Company's ordinary shares outstanding as of February 13, 2019. None of our shareholders has different voting rights from other shareholders. Other than as described herein, to the best of our knowledge, we are not owned or controlled, directly or indirectly, by another corporation, by any foreign government or by any natural person or legal persons, severally or jointly, and we are not aware of any arrangement that may, at a subsequent date, result in a change of control of our Company.

Related Party Transactions.

The following is a description of the transactions with related parties to which we, or our subsidiaries, are party, and which were in effect since January 1, 2016. The descriptions provided below are summaries of the terms of such agreements, do not purport to be complete and are qualified in their entirety by the complete agreements.

We believe that we have executed all of our transactions with related parties on terms no less favorable to us than those we could have obtained from unaffiliated third parties. We are required by Israeli law to ensure that all future transactions between us and our officers, directors and principal shareholders and their affiliates are approved by a majority of our Board of Directors, including a majority of the independent and disinterested members of our Board of Directors, and that they are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

OphthaliX Merger Agreement

On May 21, 2017, our now former subsidiary, OphthaliX and a wholly-owned private Israeli subsidiary of OphthaliX, Bufiduck Ltd., or Merger Sub, and Wize Pharma Ltd., an Israeli company formerly listed on the Tel Aviv Stock Exchange, or Wize Israel, entered into an Agreement and Plan of Merger, or the Merger Agreement. On October 31, 2017, OphthaliX entered into an amendment to the Merger Agreement with Merger Sub and Wize Israel extending the Expiration Date (as defined in the Merger Agreement) to November 30, 2017.

Concurrently with the execution of the Merger Agreement and as contemplated therein, we entered into a Voting and Undertaking Agreement with OphthaliX and Wize Israel, or the Voting Agreement, pursuant to which we agreed to vote our shares of OphthaliX held by us in favor of approving the matters on the agenda of the annual general meeting and against any actions that could adversely affect the consummation of the Merger. In addition, the Voting Agreement placed certain restrictions on the transfer of the shares of OphthaliX held by us and we agreed to indemnify Wize Israel and OphthaliX with respect to certain liabilities of OphthaliX occurring in the period up to the closing of the Merger but excluding certain liabilities in respect of any legal proceedings arising out of or related to the transactions contemplated by the Merger Agreement.

On November 16, 2017, OphthaliX (which has been renamed "Wize Pharma, Inc.") completed its transaction with Wize Israel in accordance with the terms of the Merger Agreement pursuant to which Merger Sub merged with and into Wize Israel, with Wize Israel surviving as a wholly owned subsidiary of the Company, or the Merger. In connection with the Merger and under the terms of the Merger Agreement, at the effective time of the Merger, each ordinary share of Wize Israel that was issued and outstanding was automatically cancelled and converted into 4.1445791236989 shares of common stock of OphthaliX. As a result, an aggregate of 93,971,259 shares of common stock of OphthaliX were issued to former Wize Israel shareholders. The pre-Merger stockholders of OphthaliX retained an aggregate of 10,441,251 shares of the common stock of OphthaliX. Consequently, our ownership of OphthaliX, which consisted of 8,563,254 shares of common stock, was reduced from approximately 82% immediately prior to the Merger to approximately 8% immediately after the Merger.

Immediately prior to the effective time of the Merger, OphthaliX sold on an "as is" basis to us all the ordinary shares of Eye-Fite in exchange for the irrevocable cancellation and waiver of all indebtedness owed by the OphthaliX and Eye-Fite to us, including approximately $5 million of deferred payments owed by OphthaliX and Eye-Fite to us and, as part of the purchase of Eye-Fite, we also assumed certain accrued milestone payments in the amount of $175,000 under a license agreement previously entered into with NIH. In addition, that certain exclusive license between us and OphthaliX and a related services agreement were terminated pursuant to a Termination of License Agreement and a Termination of Services Agreement that was entered into in connection with the closing of the Merger. Immediately following the Merger, OphthaliX continued to hold 446,827 of our ordinary shares.

The foregoing share amounts of OphthaliX do not give effect to a 1-for-24 reverse stock split of OphthaliX that took effect, subsequent to the completion of the Merger, on March 5, 2018.

Employment and Consulting Agreements

We have or have had employment, consulting or related agreements with each member of our senior management.

Options

We have granted options to purchase our ordinary shares to certain of our senior management and directors.

Indemnification Agreements

Our Articles of Association permit us to exculpate, indemnify and insure our directors and officeholders to the fullest extent permitted by the Israeli Companies Law. We have obtained directors' and officers' insurance for each of our officers and directors and have entered into indemnification agreements with all of our current officers and directors.

DESCRIPTION OF OFFERED SECURITIES

The following description of our share capital summarizes certain provisions of our Articles of Association. Such summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of our Articles of Association, copies of which have been filed as exhibits to the registration statement of which this prospectus forms a part.

Ordinary Shares

At February 13, 2019, our authorized share capital consists of 80,000,000 ordinary shares, par value NIS 0.25 per share, of which 44,875,482 are outstanding.

All of our outstanding ordinary shares will be validly issued, fully paid and non-assessable. Our ordinary shares are not redeemable and do not have any preemptive rights. Pursuant to Israeli securities laws, a company whose shares are traded on the TASE may not have more than one class of shares (subject to an exception which is not applicable to us), and all outstanding shares must be validly issued and fully paid. Shares and convertible securities may not be issued without the consent of the Israeli Securities Authority and all outstanding shares must be registered for trading on the TASE.

We effected a 1-for-25 reverse share split with respect to our ordinary shares, options and warrants on May 12, 2013. Unless indicated otherwise by the context, all ordinary share, option, warrant and per share amounts as well as stock prices appearing in this prospectus have been adjusted to give retroactive effect to the share split for all periods presented.

Registration Number and Purposes of the Company

Our number with the Israeli Registrar of Companies is 512022153. Our purpose is set forth in Section 3 of our Articles of Association and includes every lawful purpose.

Our ordinary shares that are fully paid for are issued in registered form and may be freely transferred under our Articles of Association, unless the transfer is restricted or prohibited by applicable law or the rules of a stock exchange on which the shares are traded. The ownership or voting of our ordinary shares by non-residents of Israel is not restricted in any way by our Articles of Association or the laws of the State of Israel, except for ownership by nationals of some countries that are, or have been, in a state of war with Israel.

Pursuant to the Israeli Companies Law and our Articles of Association, our board of directors may exercise all powers and take all actions that are not required under law or under our Articles of Association to be exercised or taken by our shareholders, including the power to borrow money for company purposes.

Our Articles of Association enable us to increase or reduce our share capital. Any such changes are subject to the provisions of the Israeli Companies Law and must be approved by a resolution duly passed by our shareholders at a general or special meeting by voting on such change in the capital. In addition, transactions that have the effect of reducing capital, such as the declaration and payment of dividends in the absence of sufficient retained earnings and profits and an issuance of shares for less than their nominal value, require a resolution of our board of directors and court approval.

Dividends

We may declare a dividend to be paid to the holders of our ordinary shares in proportion to their respective shareholdings. Under the Israeli Companies Law, dividend distributions are determined by the board of directors and do not require the approval of the shareholders of a company unless such company's articles of association provide otherwise. Our Articles of Association do not require shareholder approval of a dividend distribution and provide that dividend distributions may be determined by our board of directors.

Pursuant to the Israeli Companies Law, we may only distribute dividends from our profits accrued over the previous two years, as defined in the Israeli Companies Law, according to our then last reviewed or audited financial reports, or we may distribute dividends with court approval. In each case, we are only permitted to pay a dividend if there is no reasonable concern that payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

Election of Directors

Our ordinary shares do not have cumulative voting rights in the election of directors. As a result, the holders of a majority of the voting power represented at a shareholders meeting have the power to elect all of our directors, subject to the special approval requirements for external directors described under "Item 6.Directors, Senior Management and Employees — Board Practices — External Directors" of our Form 20-F for the year ended December 31, 2017.

Pursuant to our Articles of Association, other than the external directors, for whom special election requirements apply under the Israeli Companies Law, our directors are elected at a general or special meeting of our shareholders and serve on the board of directors until the end of the next general meeting or they are removed by the majority of our shareholders at a general or special meeting of our shareholders or upon the occurrence of certain events, in accordance with the Israeli Companies Law and our Articles of Association. In addition, our Articles of Association allow our board of directors to appoint directors to fill vacancies on the board of directors to serve until the next general meeting or special meeting, or earlier if required by our Articles of Association or applicable law. We have held elections for each of our non-external directors at each annual meeting of our shareholders since our initial public offering in Israel. External directors are elected for an initial term of three years and may be removed from office pursuant to the terms of the Israeli Companies Law.

Shareholder Meetings

Under Israeli Companies Law, we are required to hold an annual general meeting of our shareholders once every calendar year that must be no later than 15 months after the date of the previous annual general meeting. All meetings other than the annual general meeting of shareholders are referred to as special meetings. Our board of directors may call special meetings whenever it sees fit, at such time and place, within or outside of Israel, as it may determine. In addition, the Israeli Companies Law and our Articles of Association provide that our board of directors is required to convene a special meeting upon the written request of (i) any two of our directors or one quarter of our board of directors or (ii) one or more shareholders holding, in the aggregate, either (1) 5% of our outstanding shares and 1% of our outstanding voting power or (2) 5% of our outstanding voting power.

Subject to the provisions of the Israeli Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings are the shareholders of record on a date to be decided by the board of directors, which may be between four and forty days prior to the date of the meeting. Furthermore, the Israeli Companies Law and our Articles of Association require that resolutions regarding the following matters must be passed at a general meeting of our shareholders:

- amendments to our Articles of Association;
- appointment or termination of our auditors;
- appointment of directors and appointment and dismissal of external directors;
- approval of acts and transactions requiring general meeting approval pursuant to the Israeli Companies Law;
- director compensation, indemnification and change of the principal executive officer;
- increases or reductions of our authorized share capital;
- a merger; and
- the exercise of our Board of Director's powers by a general meeting, if our board of directors is unable to exercise its powers and the exercise of any of its powers is required for our proper management.

The Israeli Companies Law requires that a notice of any annual or special shareholders meeting be provided at least 21 days prior to the meeting and if the agenda of the meeting includes the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, or an approval of a merger, notice must be provided at least 35 days prior to the meeting.

The Israeli Companies Law does not allow shareholders of publicly traded companies to approve corporate matters by written consent. Consequently, our Articles of Association does not allow shareholders to approve corporate matters by written consent.

Pursuant to our Articles of Association, holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote before the shareholders at a general meeting.

Quorum

The quorum required for our general meetings of shareholders consists of at least two shareholders present in person, by proxy or written ballot who hold or represent between them at least 25% of the total outstanding voting rights.

A meeting adjourned for lack of a quorum is adjourned to the same day in the following week at the same time and place or on a later date if so specified in the summons or notice of the meeting. At the reconvened meeting, any number of our shareholders present in person or by proxy shall constitute a lawful quorum.

Resolutions

Our Articles of Association provide that all resolutions of our shareholders require a simple majority vote, unless otherwise required by applicable law.

Israeli law provides that a shareholder of a public company may vote in a meeting and in a class meeting by means of a written ballot in which the shareholder indicates how he or she votes on resolutions relating to the following matters:

- an appointment or removal of directors;
- an approval of transactions with office holders or interested or related parties;
- an approval of a merger or any other matter in respect of which there is a provision in the articles of association providing that decisions of the general meeting may also be passed by written ballot;
- authorizing the chairman of the board of directors or his relative to act as our chief executive officer or act with such authority; or authorize our chief executive officer or his relative to act as the chairman of the board of directors or act with such authority; and
- other matters which may be prescribed by Israel's Minister of Justice.

The provision allowing the vote by written ballot does not apply where the voting power of the controlling shareholder is sufficient to determine the vote. Our Articles of Association provide that our board of directors may prevent voting by means of a written ballot and this determination is required to be stated in the notice convening the general meeting.

The Israeli Companies Law provides that a shareholder, in exercising his or her rights and performing his or her obligations toward the company and its other shareholders, must act in good faith and in a customary manner, and avoid abusing his or her power. This is required when voting at general meetings on matters such as changes to the articles of association, increasing our registered capital, mergers and approval of related party transactions. A shareholder also has a general duty to refrain from depriving any other shareholder of its rights as a shareholder. In addition, any controlling shareholder, any shareholder who knows that its vote can determine the outcome of a shareholder vote and any shareholder who, under such company's articles of association, can appoint or prevent the appointment of an office holder, is required to act with fairness towards the company. The Israeli Companies Law does not describe the substance of this duty except to state that the remedies generally available upon a breach of contract will also apply to a breach of the duty to act with fairness, and, to the best of our knowledge, there is no binding case law that addresses this subject directly.

Under the Israeli Companies Law, unless provided otherwise in a company's articles of association, a resolution at a shareholders meeting requires approval by a simple majority of the voting rights represented at the meeting, in person, by proxy or written ballot, and voting on the resolution. A resolution for the voluntary winding up of the company requires the approval of holders of 75% of the voting rights represented at the meeting, in person, by proxy or by written ballot and voting on the resolution.

In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of our ordinary shares in proportion to their shareholdings. This right, as well as the right to receive dividends, may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Access to Corporate Records

Under the Israeli Companies Law, all shareholders of a company generally have the right to review minutes of our general meetings, its shareholders register and principal shareholders register, articles of association, financial statements and any document it is required by law to file publicly with the Israeli Companies Registrar and the Israel Securities Authority. Any of our shareholders may request access to review any document in our possession that relates to any action or transaction with a related party, interested party or office holder that requires shareholder approval under the Israeli Companies Law. We may deny a request to review a document if we determine that the request was not made in good faith, that the document contains a commercial secret or a patent or that the document's disclosure may otherwise prejudice our interests.

Acquisitions under Israeli Law

Full Tender Offer

A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90% of the target company's issued and outstanding share capital is required by the Israeli Companies Law to make a tender offer to all of our shareholders for the purchase of all of the issued and outstanding shares of the company. A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90% of the issued and outstanding share capital of a certain class of shares is required to make a tender offer to all of the shareholders who hold shares of the same class for the purchase of all of the issued and outstanding shares of the same class. If the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law (provided that a majority of the offerees that do not have a personal interest in such tender offer shall have approved the tender offer except that if the total votes to reject the tender offer represent less than 2% of the company's issued and outstanding share capital, in the aggregate, approval by a majority of the offerees that do not have a personal interest in such tender offer is not required to complete the tender offer). However, a shareholder that had its shares so transferred may petition the court within six months from the date of acceptance of the full tender offer, whether or not such shareholder agreed to the tender or not, to determine whether the tender offer was for less than fair value and whether the fair value should be paid as determined by the court unless the acquirer stipulated in the tender offer that a shareholder that accepts the offer may not seek appraisal rights. If the shareholders who did not accept the tender offer hold 5% or more of the issued and outstanding share capital of the company or of the applicable class, the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of our issued and outstanding share capital or of the applicable class from shareholders who accepted the tender offer.

Special Tender Offer

The Israeli Companies Law provides that an acquisition of shares of a public Israeli company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company, unless one of the exemptions in the Israeli Companies Law is met. This rule does not apply if there is already another holder of at least 25% of the voting rights in the company. Similarly, the Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a holder of 45% or more of the voting rights in the company, if there is no other shareholder of the company who holds 45% or more of the voting rights in the company, unless one of the exemptions in the Israeli Companies Law is met.

A special tender offer must be extended to all shareholders of a company but the offeror is not required to purchase shares representing more than 5% of the voting power attached to our outstanding shares, regardless of how many shares are tendered by shareholders. A special tender offer may be consummated only if (i) at least 5% of the voting power attached to our outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Merger

The Israeli Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Israeli Companies Law are met, a majority of each party's shares voted on the proposed merger at a shareholders' meeting called with at least 35 days' prior notice.

For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the shares represented at the shareholders meeting that are held by parties other than the other party to the merger, or by any person who holds 25% or more of the outstanding shares or the right to appoint 25% or more of the directors of the other party, vote against the merger. If the transaction would have been approved but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the value of the parties to the merger and the consideration offered to the shareholders.

Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties to the merger, and may further give instructions to secure the rights of creditors.

In addition, a merger may not be completed unless at least 50 days have passed from the date that a proposal for approval of the merger was filed by each party with the Israeli Registrar of Companies and 30 days have passed from the date the merger was approved by the shareholders of each party.

Antitakeover Measures

The Israeli Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including shares providing certain preferred rights, distributions or other matters and shares having preemptive rights. As of the date of this prospectus, we do not have any authorized or issued shares other than our ordinary shares. In the future, if we do create and issue a class of shares other than ordinary shares, such class of shares, depending on the specific rights that may be attached to them, may delay or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization of a new class of shares will require an amendment to our Articles of Association which requires the prior approval of the holders of a majority of our shares at a general meeting. In addition, the rules and regulations of the TASE also limit the terms permitted with respect to a new class of shares and prohibit any such new class of shares from having voting rights. Shareholders voting in such meeting will be subject to the restrictions provided in the Israeli Companies Law as described above.

Borrowing Powers

Under the Israeli Companies Law and our amended and restated Articles of Association, our board of directors may exercise all powers and take all actions that are not required under law or under our amended and restated articles of association to be exercised or taken by our shareholders or other corporate bodies, including the power to borrow money for company purposes.

Changes in Capital

Our amended and restated Articles of Association enable us to increase or reduce our share capital. Any such changes are subject to the provisions of the Israeli Companies Law and must be approved by a resolution duly passed by our shareholders at a general meeting by voting on such change in the capital. In addition, transactions that have the effect of reducing capital, such as the declaration and payment of dividends in the absence of sufficient retained earnings or profits and, in certain circumstances, an issuance of shares for less than their nominal value, require the approval of both our board of directors and an Israeli court.

American Depositary Shares

The Bank of New York Mellon, as Depositary, will register and deliver American Depositary Shares, or ADSs. Each ADS will represent two (2) ordinary shares (or a right to receive two (2) ordinary shares) deposited with the principal Tel Aviv office of Bank Hapoalim, as custodian for the Depositary. Each ADS will also represent any other securities, cash or other property which may be held by the Depositary. The Depositary's corporate trust office at which the ADSs will be administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York Mellon's principal executive office is located at One Wall Street, New York, New York 10286.

You may hold ADSs either (i) directly (a) by having an American Depositary Receipt, or an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (b) by having ADSs registered in your name in the Direct Registration System, or DRS, or (ii) indirectly by holding a security entitlement in ADSs through your broker or other financial institution. If you hold ADSs directly, you are a registered ADS holder, or an ADS holder. The description in this section assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

The DRS is a system administered by The Depository Trust Company, or DTC, pursuant to which the Depositary may register the ownership of uncertificated ADSs, which ownership is confirmed by periodic statements sent by the Depositary to the registered holders of uncertificated ADSs.

As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. Israeli law governs shareholder rights. The Depositary will be the holder of the shares underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. The Deposit Agreement, or the Deposit Agreement, among us, the Depositary and you, as an ADS holder, and all other persons indirectly holding ADSs sets out ADS holder rights as well as the rights and obligations of the Depositary. New York law governs the Deposit Agreement and the ADSs.

The following is a summary of the material provisions of the Deposit Agreement. For more complete information, you should read the entire Deposit Agreement and the form of ADS. Directions on how to obtain copies of those documents are provided under "Where You Can Find More Information".

Dividends and Other Distributions

How will you receive dividends and other distributions on the shares?

The Depositary has agreed to pay to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent.

- *Cash*. The Depositary will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the Deposit Agreement allows the Depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

- Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the Depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.*

- *Shares.* The Depositary may distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The Depositary will only distribute whole ADSs. It will sell shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the Depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The Depositary may sell a portion of the distributed shares sufficient to pay its fees and expenses in connection with that distribution.

- *Rights to purchase additional shares.* If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the Depositary may make these rights available to ADS holders. If the Depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the Depositary will use reasonable efforts to sell the rights and distribute the proceeds in the same way as it does with cash. The Depositary will allow rights that are not distributed or sold to lapse. *In that case, you will receive no value for them.*

- If the Depositary makes rights available to ADS holders, it will exercise the rights and purchase the shares on your behalf. The Depositary will then deposit the shares and deliver ADSs to the persons entitled to them. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

  U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the Depositary may deliver restricted Depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

- *Other Distributions.* The Depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practicable. If it cannot make the distribution in that way, the Depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the Depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The Depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

The Depositary is not responsible if it decides that it is unlawful or impracticable to make a distribution available to any ADS holders.

We have no obligation to register ADSs, shares, rights or other securities under the Securities Act other than in accordance with a registration rights agreement entered into in connection with our March 2014 private placement. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. ***This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impracticable for us to make them available to you.***

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The Depositary will deliver ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the Depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

How can ADS holders withdraw the deposited securities?

You may surrender your ADSs at the Depositary's corporate trust office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the Depositary will deliver the shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the Depositary will deliver the deposited securities at its corporate trust office, if feasible.

How do ADS holders interchange between certificated ADSs and uncertificated ADSs?

You may surrender your ADR to the Depositary for the purpose of exchanging your ADR for uncertificated ADSs. The Depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Alternatively, upon receipt by the Depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the Depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

Voting Rights

How do you vote?

ADS holders may instruct the Depositary to vote the number of deposited shares their ADSs represent. The Depositary will notify ADS holders of shareholders' meetings and arrange to deliver our voting materials to them if we ask it to. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the Depositary how to vote. For instructions to be valid, they must reach the Depositary by a date set by the Depositary. *Otherwise, you will not be able to exercise your right to vote unless you withdraw the shares. To do so, however, you would need to know about the meeting sufficiently in advance to withdraw the shares.*

The Depositary will try, as far as practical, subject to the laws of Israel and of our Articles of Association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. The Depositary will only vote or attempt to vote as instructed.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the Depositary to vote your shares. In addition, the Depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. *This means that you may not be able to exercise your right to vote and there may be nothing you can do if your shares are not voted as you requested.*

In order to give you a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to deposited securities, if we request the Depositary to act, we agreed under the Deposit Agreement to give the Depositary notice of any such meeting and details concerning the matters to be voted upon not less than 45 days in advance of the meeting date.

Fees and Expenses

Persons depositing or withdrawing shares or ADS holders must pay:	***For*:**
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	● Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property ● Cancellation of ADSs for the purpose of withdrawal, including if the Deposit Agreement terminates
$.05 (or less) per ADS	● Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	● Distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADS holders
$.05 (or less) per ADSs per calendar year	● Depositary services
Registration or transfer fees	● Transfer and registration of shares on our share register to or from the name of the Depositary or its agent when you deposit or withdraw shares
Expenses of the Depositary	● Cable, telex and facsimile transmissions (when expressly provided in the Deposit Agreement) ● Converting foreign currency to U.S. dollars
Taxes and other governmental charges the Depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	● As necessary
Any charges incurred by the Depositary or its agents for servicing the deposited securities	● As necessary

The Depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may collect its annual fee for depositary services by deduction from cash distributions, by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the Depositary may make payments to us to reimburse us for expenses and/or share revenue with us from the fees collected from ADS holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of the establishment and maintenance of the ADS program. In performing its duties under the Deposit Agreement, the Depositary may use brokers, dealers or other service providers that are affiliates of the Depositary and that may earn or share fees or commissions.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The Depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the Depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Reclassifications, Recapitalizations and Mergers

If we:	***Then:***
● Change the nominal or par value of our ordinary	The cash, shares or other securities received by the Depositary will become deposited securities. Each ADS will automatically represent its equal share of the new deposited securities.
● Reclassify, split up or consolidate any of the deposited securities	
● Distribute securities on the shares that are not distributed to you	The Depositary may, and will if we ask it to, distribute some or all of the cash, shares or other securities it received. It may also deliver new ADRs or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.
● Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action	

Amendment and Termination

How may the Deposit Agreement be amended?

We may agree with the Depositary to amend the Deposit Agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the Depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the Depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the Deposit Agreement, as amended.*

How may the Deposit Agreement be terminated?

The Depositary will terminate the Deposit Agreement at our direction by mailing notice of termination to the ADS holders then outstanding at least 30 days prior to the date fixed in such notice for such termination. The Depositary may also terminate the Deposit Agreement by mailing notice of termination to us and the ADS holders if 60 days have passed since the Depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment.

After termination, the Depositary and its agents will do the following under the Deposit Agreement, but nothing else: collect distributions on the deposited securities, sell rights and other property, and deliver shares and other deposited securities upon cancellation of ADSs. Four months after termination, the Depositary may sell any remaining deposited securities by public or private sale. After that, the Depositary will hold the money it received on the sale, as well as any other cash it is holding under the Deposit Agreement for the *pro rata* benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The Depositary's only obligations will be to account for the money and other cash. After termination, our only obligations will be to indemnify the Depositary and to pay fees and expenses of the Depositary that we agreed to pay.

Limitations on Obligations and Liability

Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to ADS Holders

The Deposit Agreement expressly limits our obligations and the obligations of the Depositary. It also limits our liability and the liability of the Depositary. We and the Depositary:

- are only obligated to take the actions specifically set forth in the Deposit Agreement without negligence or bad faith;
- are not liable if we are or it is prevented or delayed by law or circumstances beyond our control from performing our or its obligations under the Deposit Agreement;
- are not liable if we or it exercises discretion permitted under the Deposit Agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the Deposit Agreement, or for any special, consequential or punitive damages for any breach of the terms of the Deposit Agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the Deposit Agreement on your behalf or on behalf of any other person; and
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person.

In the Deposit Agreement, we and the Depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before the Depositary will deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of shares, the Depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;

- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the Deposit Agreement, including presentation of transfer documents.

The Depositary may refuse to deliver ADSs or register transfers of ADSs generally when the transfer books of the Depositary or our transfer books are closed or at any time if the Depositary or we think it advisable to do so.

Your Right to Receive the Shares Underlying your ADSs

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- when temporary delays arise because: (i) the Depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our ordinary;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the Deposit Agreement.

Pre-release of ADSs

Subject to the provisions of the Deposit Agreement, the Depositary may issue ADSs before deposit of the underlying shares. This is called a pre-release of ADSs. The Depositary may also deliver shares prior to the receipt and cancellation of pre-released ADSs even if the ADSs are cancelled before the pre-release transaction has been closed out. A pre-release is closed out as soon as the underlying shares are delivered to the Depositary. The Depositary may receive ADSs instead of shares to close out a pre-release. The Depositary may pre-release ADSs only under the following conditions:

- before or at the time of the pre-release, the person to whom the pre-release is being made must represent to the Depositary in writing that it or its customer, as the case may be, (i) owns the shares or ADSs to be remitted, (ii) will assign all beneficial rights, title and interest in the ADSs or shares to the Depositary and for the benefit of the ADS holders, and (iii) will not take any action with respect to the ADSs or shares that is inconsistent with the assignment of beneficial ownership (including, without the consent of the Depositary, disposing of the ADSs or shares) other than in satisfaction of the pre-release;
- the pre-release must be fully collateralized with cash or collateral that the Depositary considers appropriate; and
- the Depositary must be able to close out the pre-release on not more than five business days' notice.

The pre-release will be subject to whatever indemnities and credit regulations that the Depositary considers appropriate. In addition, the Depositary will limit the number of ADSs that may be outstanding at any time as a result of pre-release, although the Depositary may disregard the limit from time to time, if it thinks it is appropriate to do so. At our instruction, a pre-release may be discontinued entirely.

Direct Registration System

In the Deposit Agreement, all parties to the Deposit Agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC under which the Depositary may register the ownership of uncertificated ADSs, which ownership will be evidenced by periodic statements sent by the Depositary to the registered holders of uncertificated ADSs. Profile is a required feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of ADSs, to direct the Depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the Depositary of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the Deposit Agreement understand that the Depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the Deposit Agreement, the parties agree that the Depositary's reliance on and compliance with instructions received by the Depositary through the DRS/Profile and in accordance with the Deposit Agreement will not constitute negligence or bad faith on the part of the Depositary.

Shareholder Communications; Inspection of Register ADS Holders

The Depositary will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The Depositary will send you copies of those communications if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

Disclosure of Beneficial Ownership

We may from time to time request that ADS holders provide information as to the capacity in which they hold ADSs or a beneficial interest in such ADSs and regarding the identity of any other persons then or previously having a beneficial interest in ADSs, and the nature of such interest and various other matters. ADS holders agree to provide such information reasonably requested by us pursuant to the Deposit Agreement. The Depositary agrees to comply with reasonable written instructions received from time to time from us requesting that the Depositary forward any such written requests to the Owners and to forward to us any such responses to such requests received by the Depositary.

Each ADS holder agrees to comply with any applicable provision of Israeli law with regard to the notification to us of the holding or proposed holding of certain interests in the underlying ordinary shares and the obtaining of certain consents, to the same extent as if such ADS holder were a registered holder or beneficial owner of the underlying ordinary shares. The Depositary is not required to take any action with respect to such compliance on behalf of any ADS holder, including the provision of the notifications described below.

As of the date of the Deposit Agreement, under Israeli law, persons who hold a direct or indirect interest in 5% or more of the voting securities of us (including persons who hold such an interest through the holding of ADSs) are required to give written notice of their interest and any subsequent changes in their interest to us within the timeframes set forth in Israeli law. The foregoing is a summary of the relevant provision of Israeli law and does not purport to be a complete review of this or other provisions that may be applicable to ADS holders. We undertake no obligation to update this summary in the future.

Description of the Warrants

January 2019 Warrants

The following is a brief summary of the warrants and placement agent warrants issued in connection with our January 2019 financing and is subject in all respects to the provisions contained in the warrants, the form filed as an exhibit to our Current Report on Form 6-K dated January 22, 2019 and the placement agent warrants, the form filed as an exhibit to the registration statement, of which this prospectus forms a part. Unless otherwise stated, references to warrants in this section include the placement agent warrants.

Exercisability. Holders may exercise warrants at any time after January 23, 2019 until close of business on July 23, 2024 except that the placement agent warrants are exercisable until close of business on January 18, 2024. The warrants are exercisable, at the option of each holder, in whole or in part, by delivering to us a duly executed exercise notice accompanied by payment in full for the number of shares of ordinary shares represented by ADSs purchased upon such exercise (except in the case of a cashless exercise in limited circumstances discussed below).

Cashless Exercise. If after July 23, 2019 a registration statement covering the issuance of the ordinary shares represented ADS issuable upon exercise of the warrants is not effective at the time of exercise of the warrants, the holder may, at its option, exercise its warrants on a cashless basis. When exercised on a cashless basis, a portion of the warrant is cancelled in payment of the purchase price payable in respect of the number of shares of our common stock purchasable upon such exercise.

Exercise Price. The exercise price of ADSs purchasable upon exercise of the warrants is $1.30 per ADS. The exercise price and the number of ADS issuable upon exercise of the warrants is subject to appropriate adjustment in the event of recapitalization events, stock dividends, stock splits, stock combinations, reclassifications or similar events affecting our ordinary shares, and also upon any distributions of assets, including cash, stock or other property to our stockholders.

Transferability. Subject to certain transfer restrictions, the warrants may be transferred at the option of the holder upon surrender of the warrants with the appropriate instruments of transfer. In addition, the holder (or permitted assignees under Rule 5110(g)(1)) of the placement agent warrants may not sell, transfer, assign, pledge, or hypothecate the warrants or the securities underlying these warrants, nor may they engage in any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the warrants or the underlying securities for a period of 180 days from the effective date or commencement of sales of the public offering of the ordinary shares represented by the ADSs issuable upon exercise of the warrants.

Purchase Rights, Fundamental Transactions and Change of Control. If we sell or grant any rights to purchase stock, warrants or securities or other property to our stockholders on a pro rata basis, we will provide the holders of warrants with the right to acquire, upon the same terms, the securities subject to such purchase rights as though the warrant had been exercised immediately prior to the declaration of such rights. If we consummate any fundamental transaction, as described in the warrants and generally including any consolidation or merger into another corporation, the consummation of a transaction whereby another entity acquires more than 50% of our outstanding ordinary shares, the sale of all or substantially all of our assets, or another transaction in which our common stock is converted into or exchanged for other securities or other consideration, the holder of warrants will thereafter receive upon exercise of the warrants the securities or other consideration to which a holder of the number of shares of common stock then deliverable upon the exercise or conversion of such warrants would have been entitled upon such consolidation, merger or other transaction.

Exchange Listing. We do not plan on making an application to list the warrants on the NYSE American, any national securities exchange or other nationally recognized trading system. Our ADSs underlying the warrants are listed on the NYSE American and our ordinary shares are traded on the TASE.

Rights as Stockholder. Except as otherwise provided in the warrants (such as the rights described above of a warrant holder upon our sale or grant of any rights to purchase shares, warrants or securities or other property to our shareholders on a pro rata basis) or by virtue of such holder's ownership of our ordinary shares, the holders of the warrants do not have the rights or privileges of holders of our ordinary shares, including any voting rights, until they exercise their warrants.

TAXATION

Certain Israeli Tax Considerations

The following is a summary of the material Israeli tax laws applicable to us. This section also contains a discussion of material Israeli tax consequences concerning the ownership and disposition of our ordinary shares. This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of this kind of investor include residents of Israel or traders in securities who are subject to special tax regimes not covered in this discussion. Because certain parts of this discussion are based on new tax legislation that has not yet been subject to judicial or administrative interpretation, we cannot assure you that the appropriate tax authorities or the courts will accept the views expressed in this discussion. The discussion does not cover all possible tax consequences.

You are urged to consult your own tax advisor as to the Israeli and other tax consequences of the purchase, ownership and disposition of our ADSs, including, in particular, the effect of any non-Israeli, state or local taxes.

General Corporate Tax Structure in Israel

Israeli companies are generally subject to corporate tax, which has decreased in recent years, from a rate of 26.5% in 2014 and 2015 to 25% in 2016 and to 24% in 2017 to 23% for 2018 and 2019. However, the effective corporate tax rate payable by a company that derives income from an Approved Enterprise, a Privileged Enterprise or a Preferred Enterprise (as discussed below) may be considerably less. Capital gains generated by an Israeli company are generally subject to tax at the corporate tax rate.

In 2006, transfer pricing regulations came into force, following the introduction of Section 85A of the Israeli Tax Ordinance under Amendment 132. The transfer pricing rules require that cross-border transactions between related parties be carried out implementing an arms' length principle based on a transfer pricing study and reported and taxed accordingly.

Pre-Ruling from the Israeli Income Tax Authorities

In connection with the spin-off, we received a pre-ruling decision from the Israeli Income Tax Authority which confirms: (i) that the grant of the license to Eye-Fite is not liable for tax pursuant to the provisions of section 104a to the Income Tax Ordinance (New Version), 1961, or the Ordinance; (ii) that OphthaliX is considered the receiving company pursuant to section 103c(7)(b) to the Ordinance; (iii) that the sale of Eye-Fite shares to OphthaliX as consideration for OphthaliX shares does not create liability for tax pursuant to the provisions of section 103t to the Ordinance, or change in structure; and (iv) the date for the change in structure was determined. According to the tax pre-ruling, the date of change in structure shall also be the date of exchange of shares with respect to the spin-off and notification to the tax assessor. We and Eye-Fite presented to the tax assessor and the merger and spin-off department of the tax assessor the forms required by the Ordinance and the regulations thereunder. The tax pre-ruling further provides that the grant of a license to Eye-Fite as consideration for the issuance of Eye-Fite shares to us does not create liability for tax pursuant to the provisions of section 104a to the Ordinance.

According to the pre-ruling, we must not sell more than 10% of our common stock holdings in OphthaliX issued in connection with the change in structure for at least two years from the date of the change (i.e., November 21, 2011), OphthaliX must not sell more than 10% of its ordinary share holdings in Eye-Fite received in connection with the change in structure for at least two years from the date of the change and Eye-Fite must retain the assets received from us in connection with the change in structure for at least two years from the date of the change.

The shares of Eye-Fite which were transferred to OphthaliX in connection with the change in structure will be held in escrow. The sale of these shares will be deemed as a sale by an Israeli company and will be taxed accordingly. The trustee will withhold tax at the source.

The shares of OphthaliX which were transferred to us in connection with the change in structure will be held in escrow. The sale of these shares will be deemed as a sale by an Israeli company and will be taxed accordingly. The trustee will withhold tax at the source.

Any dividend distributed by Eye-Fite to OphthaliX will be taxed in Israel in accordance with paragraph 125(b)5 of the Israeli Tax Ordinance.

A description of the terms of the pre-ruling is also included in the notes to the financial statements.

Tax Benefits and Grants for Research and Development

Israeli tax law allows, under certain conditions, a tax deduction for research and development expenditures, including capital expenditures, for the year in which they are incurred. These expenses must relate to scientific research and development projects and must be approved by the Office of the Chief Scientist, or the OCS, of the relevant Israeli government ministry, determined by the field of research. Furthermore, the research and development must be for the promotion of the company and carried out by or on behalf of the company seeking such tax deduction. The amount of such deductible expenses is reduced by the sum of any funds received through government grants for the funding of the scientific research and development projects. No deduction under these research and development deduction rules is allowed if such deduction is related to an expense invested in an asset depreciable under the general depreciation rules of the Tax Ordinance. Expenditures not so approved are deductible in equal amounts over three years.

On a yearly basis, we evaluate the applicability of the above tax deduction for research and development expenditures and, based on our evaluation, determine whether to apply to the OCS for approval of a tax deduction. There can be no assurance that any application for a tax deduction will be accepted.

Taxation of our Shareholders

Capital Gains Taxes Applicable to Non-Israeli Resident Shareholders. Shareholders that are not Israeli residents are generally exempt from Israeli capital gains tax on any gains derived from the sale, exchange or disposition of our ordinary shares, provided that such shareholders did not acquire their shares prior to our initial public offering on the TASE and such gains were not derived from a permanent establishment or business activity of such shareholders in Israel. However, non-Israeli corporations will not be entitled to the foregoing exemptions if an Israeli resident (i) has a controlling interest of 25% or more in such non-Israeli corporation or (ii) is the beneficiary of or is entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

In addition, under the U.S.-Israel Income Tax Treaty, 1995, or the U.S.-Israel Tax Treaty, the sale, exchange or disposition of our ordinary shares by a shareholder who is a U.S. resident (for purposes of the U.S.-Israel Tax Treaty) holding the shares as a capital asset is exempt from Israeli capital gains tax unless either (i) the shareholder holds, directly or indirectly, shares representing 10% or more of our voting capital during any part of the 12-month period preceding such sale, exchange or disposition or (ii) the capital gains arising from such sale are attributable to a permanent establishment of the shareholder located in Israel. In either case, the sale, exchange or disposition of the shares would be subject to Israeli tax, to the extent applicable; however, under the U.S.-Israel Tax Treaty, the U.S. resident would be permitted to claim a credit for the tax against the U.S. federal income tax imposed with respect to the sale, exchange or disposition, subject to the limitations in U.S. laws applicable to foreign tax credits. The U.S.-Israel Tax Treaty does not relate to U.S. state or local taxes.

Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale.

Taxation of Non-Israeli Shareholders on Receipt of Dividends. Non-residents of Israel are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 20%, which tax will be withheld at the source, unless a different rate is provided in a tax treaty between Israel and the shareholder's country of residence. With respect to a person who is a "substantial shareholder" at the time receiving the dividend or on any date in the 12 months preceding such date, the applicable tax rate is 25%. A "substantial shareholder" is generally a person who alone, or together with his relative or another person who collaborates with him on a permanent basis, holds, directly or indirectly, at least 10% of any of the "means of control" of the corporation. "Means of control" generally include the right to vote, receive profits, nominate a director or an officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, and all regardless of the source of such right. Under the U.S.-Israel Tax Treaty, the maximum rate of tax withheld in Israel on dividends paid to a holder of our ordinary shares who is a U.S. resident (for purposes of the U.S.-Israel Tax Treaty) is 25%. However, generally, the maximum rate of withholding tax on dividends that are paid to a U.S. corporation holding 10% or more of our outstanding voting capital throughout the tax year in which the dividend is distributed as well as the previous tax year is 12.5%.

A non-resident of Israel who receives dividends from which tax was withheld is generally exempt from the duty to file returns in Israel in respect of such income, provided such income was not derived from a business conducted in Israel by the taxpayer, and the taxpayer has no other taxable sources of income in Israel.

Taxation of Israeli Shareholders on Receipt of Dividends

Residents of Israel are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25%, which tax will be withheld at the source. With respect to a person who is a "substantial shareholder" at the time of receiving the dividend or on any date within the 12 months preceding such date, the applicable tax rate is 30%.

U.S. Federal Income Tax Consequences

The following is a general summary of certain material U.S. federal income tax consequences relating to the purchase, ownership and disposition of our ordinary shares and ADSs by U.S. Holders (as defined below) that hold such ordinary shares or ADSs as capital assets (generally, property held for investment). This summary is based on the Internal Revenue Code of 1986, as amended, or the Code, the regulations of the U.S. Department of the Treasury issued pursuant to the Code, or the Treasury Regulations, administrative and judicial interpretations thereof, and the U.S.-Israel Income Tax Treaty, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or to different interpretation. No ruling has been sought from the Internal Revenue Service, or IRS, with respect to any United States federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. This summary does not address all of the tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law, such as (1) a bank, life insurance company, regulated investment company, or other financial institution or "financial services entity"; (2) a broker or dealer in securities or foreign currency; (3) a person who acquired our ordinary shares or ADSs in connection with employment or other performance of services; (4) a U.S. Holder that is subject to the U.S. alternative minimum tax; (5) a U.S. Holder that holds our ordinary shares or ADSs as a hedge or as part of a hedging, straddle, conversion or constructive sale transaction or other risk-reduction transaction for U.S. federal income tax purposes; (6) a tax-exempt entity; (7) real estate investment trusts; (8) a U.S. Holder that expatriates out of the United States or a former long-term resident of the United States; or (9) a U.S. Holder having a functional currency other than the U.S. dollar. This discussion does not address the U.S. federal income tax treatment of a U.S. Holder that owns, directly or constructively, at any time, ordinary shares or ADSs representing 10% or more of our voting power or value. Additionally, this summary does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift or alternative minimum tax considerations or any U.S. federal tax consequences other than U.S. federal income tax consequences.

As used in this summary, the term "U.S. Holder" means a beneficial owner of our ordinary shares or ADSs that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or that has a valid election in effect under applicable Treasury Regulations to be treated as a "United States person."

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our ordinary shares or ADSs, the tax treatment of such partnership and each partner thereof will generally depend upon the status and activities of the partnership and such partner. A holder that is treated as a partnership for U.S. federal income tax purposes should consult its own tax advisor regarding the U.S. federal income tax considerations applicable to it and its partners of the purchase, ownership and disposition of its ordinary shares or ADSs.

This summary is not intended to be, and should not be considered to be, legal or tax advice. Prospective investors should be aware that this summary does not address the tax consequences to investors who are not U.S. Holders, except to the limited extent discussed below. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of their ordinary shares or ADSs, including the applicability of U.S. federal, state and local tax laws and non-U.S. tax laws.

Taxation of U.S. Holders

The discussions under "— Distributions" and under "— Sale, Exchange or Other Disposition of Ordinary Shares and ADSs" below assumes that we will not be treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. Based on our analysis of our income, assets, and operations, we do not believe that we were a PFIC for 2018. Because the PFIC determination is highly fact intensive, there can be no assurance that we will not be a PFIC for 2019 or for any other taxable year. For a discussion of the rules that would apply if we are treated as a PFIC, see the discussion under "— Passive Foreign Investment Company."

Distributions. We have no current plans to pay dividends. To the extent we pay any dividends, a U.S. Holder will be required to include in gross income as a taxable dividend the amount of any distributions made on the ordinary shares or ADSs, including the amount of any Israeli taxes withheld, to the extent that those distributions are paid out of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Any distributions in excess of our earnings and profits will be applied against and will reduce the U.S. Holder's tax basis in its shares or ADSs and to the extent they exceed that tax basis, will be treated as gain from the sale or exchange of those shares or ADSs. If we were to pay dividends, we expect to pay such dividends in NIS with respect to the shares and in U.S. dollars with respect to ADSs. A dividend paid in NIS, including the amount of any Israeli taxes withheld, will be includible in a U.S. Holder's income as a U.S. dollar amount calculated by reference to the exchange rate in effect on the date such dividend is received, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted to U.S. dollars on the date of receipt, a U.S. Holder generally will not recognize a foreign currency gain or loss. However, if the U.S. Holder converts the NIS into U.S. dollars on a later date, the U.S. Holder must include, in computing its income, any gain or loss resulting from any exchange rate fluctuations. The gain or loss will be equal to the difference between (i) the U.S. dollar value of the amount included in income when the dividend was received and (ii) the amount received on the conversion of the NIS into U.S. dollars. Such gain or loss will generally be ordinary income or loss and United States source for U.S. foreign tax credit purposes. U.S. Holders should consult their own tax advisors regarding the tax consequences to them if we pay dividends in NIS or any other non-U.S. currency.

Subject to certain significant conditions and limitations, including potential limitations under the U.S.-Israel Tax Treaty, any Israeli taxes paid on or withheld from distributions from us and not refundable to a U.S. Holder may be credited against the investor's U.S. federal income tax liability or, alternatively, may be deducted from the investor's taxable income. The election to credit or deduct foreign taxes is made on a year-by-year basis and applies to all foreign taxes paid by a U.S. Holder or withheld from a U.S. Holder that year. Dividends paid on the ordinary shares generally will constitute income from sources outside the United States and be categorized as "passive category income" or, in the case of some U.S. Holders, as "general category income" for U.S. foreign tax credit purposes.

Because the rules governing foreign tax credits are complex, U.S. Holders should consult their own tax advisor regarding the availability of foreign tax credits in their particular circumstances.

Dividends paid on the ordinary shares and ADSs will not be eligible for the "dividends-received" deduction generally allowed to corporate U.S. Holders with respect to dividends received from U.S. corporations.

Certain distributions treated as dividends that are received by an individual U.S. Holder from "qualified foreign corporations" generally qualify for a 20% tax rate so long as certain holding period and other requirements are met. A non-U.S. corporation (other than a corporation that is treated as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (ii) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. Dividends paid by us in a taxable year in which we are not a PFIC and with respect to which we were not a PFIC in the preceding taxable year are expected to be eligible for the 20% tax rate, although we can offer no assurances in this regard. However, any dividend paid by us in a taxable year in which we are a PFIC or were a PFIC in the preceding taxable year will be subject to tax at regular ordinary income rates. Because the PFIC determination is highly fact intensive, there can be no assurance that we will not be a PFIC in 2018 or in any other taxable year. The additional 3.8% "net investment income tax" (described below) may apply to dividends received by certain U.S. Holders who meet certain modified adjusted gross income thresholds.

Sale, Exchange or Other Disposition of Ordinary Shares and ADSs. Subject to the discussion under "— Passive Foreign Investment Company" below, a U.S. Holder generally will recognize capital gain or loss upon the sale, exchange or other taxable disposition of our ordinary shares or ADSs in an amount equal to the difference between the amount realized on the sale, exchange or other disposition and the U.S. Holder's adjusted tax basis in such shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in our ordinary shares exceeds one year. Preferential tax rates for long-term capital gain (currently, with a maximum rate of 20%) will apply to individual U.S. Holders. The deductibility of capital losses is subject to limitations. The gain or loss will generally be income or loss from sources within the United States for U.S. foreign tax credit purposes, subject to certain exceptions in U.S.-Israel Tax Treaty. The additional 3.8% "net investment income tax" (described below) may apply to gains recognized upon the sale, exchange, or other taxable disposition of our ordinary shares or ADSs by certain U.S. Holders who meet certain modified adjusted gross income thresholds.

U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consequences of receiving currency other than U.S. dollars upon the disposition of their ordinary shares or ADSs.

Passive Foreign Investment Company

In general, a corporation organized outside the United States will be treated as a PFIC for U.S. federal income tax purposes in any taxable year in which either (i) at least 75% of its gross income is "passive income" or (ii) on average at least 50% of its assets (by value) produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, certain dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. Passive income also includes amounts derived by reason of the temporary investment of funds, including those raised in the public offering. Assets that produce or are held for the production of passive income include cash, even if held as working capital or raised in a public offering, marketable securities and other assets that may produce passive income. In determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

Under the tests described above, whether or not we are a PFIC will be determined annually based upon the composition of our income and the composition and valuation of our assets, all of which are subject to change.

Based on our analysis of our income, assets, and operations, we do not believe that we were a PFIC for 2018. Because the PFIC determination is highly fact intensive, there can be no assurance that we will not be a PFIC in 2019 or in any other taxable year.

Default PFIC Rules. If we are a PFIC for any tax year, a U.S. Holder who does not make a timely QEF election or a mark-to-market election, referred to in this disclosure as a "Non-Electing U.S. Holder," will be subject to special rules with respect to (i) any "excess distribution" (generally, the portion of any distributions received by the Non-Electing U.S. Holder on the ordinary shares or ADSs in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing U.S. Holder in the three preceding taxable years, or, if shorter, the Non-Electing U.S. Holder's holding period for the ordinary shares or ADSs), and (ii) any gain realized on the sale or other disposition of such ordinary shares or ADSs. Under these rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing U.S. Holder's holding period for such ordinary shares or ADSs;
- the amount allocated to the current taxable year and any year prior to us becoming a PFIC would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

If a Non-Electing U.S. Holder who is an individual dies while owning our ordinary shares or ADSs, the Non-Electing U.S. Holder's successor would be ineligible to receive a step-up in tax basis of such ordinary shares or ADSs. Non-Electing U.S. Holders should consult their tax advisors regarding the application of the "net investment income tax" (described below) to their specific situation.

To the extent a distribution on our ordinary shares or ADSs does not constitute an excess distribution to a Non-Electing U.S. Holder, such Non-Electing U.S. Holder generally will be required to include the amount of such distribution in gross income as a dividend to the extent of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) that are not allocated to excess distributions. The tax consequences of such distributions are discussed above under "— Taxation of U.S. Holders — Distributions." Each U.S. Holder is encouraged to consult its own tax advisor with respect to the appropriate U.S. federal income tax treatment of any distribution on our ordinary shares.

If we are treated as a PFIC for any taxable year during the holding period of a Non-Electing U.S. Holder, we will continue to be treated as a PFIC for all succeeding years during which the Non-Electing U.S. Holder is treated as a direct or indirect Non-Electing U.S. Holder even if we are not a PFIC for such years. A U.S. Holder is encouraged to consult its tax advisor with respect to any available elections that may be applicable in such a situation, including the "deemed sale" election of Code Section 1298(b)(1) (which will be taxed under the adverse tax rules described above).

We may invest in the equity of foreign corporations that are PFICs or may own subsidiaries that own PFICs. If we are classified as a PFIC, under attribution rules U.S. Holders will be subject to the PFIC rules with respect to their indirect ownership interests in such PFICs, such that a disposition of the shares of the PFIC or receipt by us of a distribution from the PFIC generally will be treated as a deemed disposition of such shares or the deemed receipt of such distribution by the U.S. Holder, subject to taxation under the PFIC rules. There can be no assurance that a U.S. Holder will be able to make a QEF election or a mark-to-market election with respect to PFICs in which we invest. Each U.S. Holder is encouraged to consult its own tax advisor with respect to tax consequences of an investment by us in a corporation that is a PFIC.

QEF Election. One way in which certain of the adverse consequences of PFIC status can be mitigated is for a U.S. Holder to make a QEF election. A U.S. Holder who makes a timely QEF election, referred to in this disclosure as an "Electing U.S. Holder," with respect to us must report for U.S. federal income tax purposes his pro rata share of our ordinary earnings and net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing U.S. Holder. The "net capital gain" of a PFIC is the excess, if any, of the PFIC's net long-term capital gains over its net short-term capital losses. The amount so included in income generally will be treated as ordinary income to the extent of such Electing U.S. Holder's allocable share of the PFIC's ordinary earnings and as long-term capital gain to the extent of such Electing U.S. Holder's allocable share of the PFIC's net capital gains. Such Electing U.S. Holder generally will be required to translate such income into U.S. dollars based on the average exchange rate for the PFIC's taxable year with respect to the PFIC's functional currency. Such income generally will be treated as income from sources outside the United States for U.S. foreign tax credit purposes. Amounts previously included in income by such Electing U.S. Holder under the QEF rules generally will not be subject to tax when they are distributed to such Electing U.S. Holder. The Electing U.S. Holder's tax basis in our ordinary shares or ADSs generally will increase by any amounts so included under the QEF rules and decrease by any amounts not included in income when distributed.

An Electing U.S. Holder will be subject to U.S. federal income tax on such amounts for each taxable year in which we are a PFIC, regardless of whether such amounts are actually distributed to such Electing U.S. Holder. However, an Electing U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If an Electing U.S. Holder is an individual, any such interest will be treated as non-deductible "personal interest."

Any net operating losses or net capital losses of a PFIC will not pass through to the Electing U.S. Holder and will not offset any ordinary earnings or net capital gain of a PFIC recognized by Electing U.S. Holder in subsequent years.

So long as an Electing U.S. Holder's QEF election with respect to us is in effect with respect to the entire holding period for our ordinary shares or ADSs, any gain or loss recognized by such Electing U.S. Holder on the sale, exchange or other disposition of such shares or ADSs generally will be long-term capital gain or loss if such Electing U.S. Holder has held such shares or ADSs for more than one year at the time of such sale, exchange or other disposition. Preferential tax rates for long-term capital gain (currently, a maximum rate of 20%) will apply to individual U.S. Holders. The deductibility of capital losses is subject to limitations.

In general, a U.S. Holder must make a QEF election on or before the due date for filing its income tax return for the first year to which the QEF election is to apply. A U.S. Holder makes a QEF election by completing the relevant portions of and filing IRS Form 8621 in accordance with the instructions thereto. Upon request, we will annually furnish U.S. Holders with information needed in order to complete IRS Form 8621 (which form would be required to be filed with the IRS on an annual basis by the U.S. Holder) and to make and maintain a valid QEF election for any year in which we or any of our subsidiaries that we control is a PFIC. There is no assurance, however, that we will have timely knowledge of our status as a PFIC, or that the information that we provide will be adequate to allow U.S. Holders to make a QEF election. A QEF election will not apply to any taxable year during which we are not a PFIC, but will remain in effect with respect to any subsequent taxable year in which we become a PFIC. Each U.S. Holder should consult its own tax advisor with respect to the advisability of, the tax consequences of, and the procedures for making a QEF election with respect to us.

Mark-to-Market Election. Alternatively, if our ordinary shares or ADSs are treated as "marketable stock," a U.S. Holder would be allowed to make a "mark-to-market" election with respect to our ordinary shares or ADSs, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of our ordinary shares or ADSs at the end of the taxable year over such holder's adjusted tax basis in such shares or ADSs. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in our ordinary shares or ADSs over their fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in our ordinary shares or ADSs would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our ordinary shares or ADSs would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of our ordinary shares or ADSs would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included in income by the U.S. Holder, and any loss in excess of such amount will be treated as capital loss. Amounts treated as ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains.

Generally, stock will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable Treasury Regulations. A class of stock is regularly traded on an exchange during any calendar year during which such class of stock is traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. To be marketable stock, our ordinary shares and ADSs must be regularly traded on a qualifying exchange (i) in the United States that is registered with the SEC or a national market system established pursuant to the Exchange Act or (ii) outside the United States that is properly regulated and meets certain trading, listing, financial disclosure and other requirements. Our ordinary shares should constitute "marketable stock" as long as they remain listed on the OTC and/or the NYSE American and are regularly traded. Our ADSs will be listed on the OTC and/or the NYSE American. While we believe that our ADSs may be treated as marketable stock for purposes of the PFIC rules so long as they are listed on the OTC and/or the NYSE American and are regularly traded, the IRS has not provided a list of the exchanges that meet the foregoing requirements and thus no assurance can be provided that our ADSs will be (or will remain) treated as marketable stock for purposes of the PFIC rules.

A mark-to-market election will not apply to our ordinary shares or ADSs held by a U.S. Holder for any taxable year during which we are not a PFIC, but will remain in effect with respect to any subsequent taxable year in which we become a PFIC. Such election will not apply to any PFIC subsidiary that we own. Each U.S. Holder is encouraged to consult its own tax advisor with respect to the availability and tax consequences of a mark-to-market election with respect to our ordinary shares and ADSs.

In addition, U.S. Holders should consult their tax advisors regarding the IRS information reporting and filing obligations that may arise as a result of the ownership of ordinary shares in a PFIC, including IRS Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund.

The U.S. federal income tax rules relating to PFICs, QEF elections, and mark-to market elections are complex. U.S. Holders are urged to consult their own tax advisors with respect to the purchase, ownership and disposition of our ordinary shares or ADSs, any elections available with respect to such shares or ADSs and the IRS information reporting obligations with respect to the purchase, ownership and disposition of our ordinary shares or ADSs.

Tax Consequences for Non-U.S. Holders of Ordinary Shares or ADSs

Except as provided below, an individual, corporation, estate or trust that is not a U.S. Holder, referred to below as a non-U.S. Holder, generally will not be subject to U.S. federal income or withholding tax on the payment of dividends on, and the proceeds from the disposition of, our ordinary shares or ADSs.

A non-U.S. Holder may be subject to U.S. federal income tax on a dividend paid on our ordinary shares or ADSs or gain from the disposition of our ordinary shares or ADSs if: (1) such item is effectively connected with the conduct by the non-U.S. Holder of a trade or business in the United States and, if required by an applicable income tax treaty is attributable to a permanent establishment or fixed place of business in the United States; or (2) in the case of a disposition of our ordinary shares or ADSs, the individual non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and other specified conditions are met.

In general, non-U.S. Holders will not be subject to backup withholding with respect to the payment of dividends on our ordinary shares or ADSs if payment is made through a paying agent, or office of a foreign broker outside the United States. However, if payment is made in the United States or by a U.S. related person, non-U.S. Holders may be subject to backup withholding, unless the non-U.S. Holder provides an applicable IRS Form W-8 (or a substantially similar form) certifying its foreign status, or otherwise establishes an exemption.

The amount of any backup withholding from a payment to a non-U.S. Holder will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

Certain Reporting Requirements

Certain U.S. Holders are required to file IRS Form 926, Return by U.S. Transferor of Property to a Foreign Corporation, and certain U.S. Holders may be required to file IRS Form 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, reporting transfers of cash or other property to us and information relating to the U.S. Holder and us. Substantial penalties may be imposed upon a U.S. Holder that fails to comply. See also the discussion regarding Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund, above.

In addition, certain U.S. Holders must report information on IRS Form 8938, Statement of Specified Foreign Financial Assets, with respect to their investments in certain "foreign financial assets," which would include an investment in our ordinary shares, if the aggregate value of all of those assets exceeds $50,000 on the last day of the taxable year (and in some circumstances, a higher threshold). This reporting requirement applies to individuals and certain U.S. entities.

U.S. Holders who fail to report required information could become subject to substantial penalties. U.S. Holders should consult their tax advisors regarding the possible implications of these reporting requirements arising from their investment in our ordinary shares.

Backup Withholding Tax and Information Reporting Requirements

Generally, information reporting requirements will apply to distributions on our ordinary shares or ADSs or proceeds on the disposition of our ordinary shares or ADSs paid within the United States (and, in certain cases, outside the United States) to U.S. Holders other than certain exempt recipients, such as corporations. Furthermore, backup withholding (currently at 24%) may apply to such amounts if the U.S. Holder fails to (i) provide a correct taxpayer identification number, (ii) report interest and dividends required to be shown on its U.S. federal income tax return, or (iii) make other appropriate certifications in the required manner. U.S. Holders who are required to establish their exempt status generally must provide such certification on IRS Form W-9.

Backup withholding is not an additional tax. Amounts withheld as backup withholding from a payment may be credited against a U.S. Holder's U.S. federal income tax liability and such U.S. Holder may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

Tax on Net Investment Income

Certain U.S. persons, including individuals, estates and trusts are generally subject to an additional 3.8% Medicare tax. For individuals, the additional Medicare tax applies to the lesser of (i) "net investment income" or (ii) the excess of "modified adjusted gross income" over $200,000 ($250,000 if married and filing jointly or $125,000 if married and filing separately). "Net investment income" generally equals the taxpayer's gross investment income reduced by the deductions that are allocable to such income. Investment income generally includes passive income such as interest, dividends, annuities, royalties, rents, and capital gains. U.S. Holders are urged to consult their own tax advisors regarding the implications of the additional Medicare tax resulting from their ownership and disposition of our shares or ADSs.

U.S. Holders should consult their own tax advisors concerning the tax consequences relating to the purchase, ownership and disposition of our ordinary shares or ADSs .

PLAN OF DISTRIBUTION

We are registering the ordinary shares represented by ADSs issuable upon exercise of the warrants and placement agent warrants issued in our January 2019 private placement to permit the resale of these ordinary shares represented by ADSs by the holders of these warrants from time to time after the date of this prospectus. We will not receive any of the proceeds from the sale by the selling shareholders of the ordinary shares represented by ADSs other than proceeds from the cash exercise of the warrants and placement agent warrants. We will bear all fees and expenses incident to our obligation to register the ordinary shares represented by ADSs.

The selling shareholders may sell all or a portion of the ordinary shares represented by ADSs beneficially owned by them and offered hereby from time to time directly or through one or more underwriters, broker-dealers or agents. If the ordinary shares represented by ADSs are sold through underwriters or broker-dealers, the selling shareholders will be responsible for underwriting discounts or commissions or agent's commissions. The ordinary shares represented by ADSs may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of the sale, at varying prices determined at the time of sale, or at negotiated prices. These sales may be effected in transactions, which may involve crosses or block transactions,

- on any national securities exchange or quotation service on which the securities may be listed or quoted at the time of sale;
- in the over-the-counter market;
- in transactions otherwise than on these exchanges or systems or in the over-the-counter market;
- through the writing of options, whether such options are listed on an options exchange or otherwise;
- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales;
- sales pursuant to Rule 144;
- broker-dealers may agree with the selling security holders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

If the selling shareholders effect such transactions by selling ordinary shares represented by ADSs to or through underwriters, broker-dealers or agents, such underwriters, broker-dealers or agents may receive commissions in the form of discounts, concessions or commissions from the selling shareholders or commissions from purchasers of the ordinary shares represented by ADSs for whom they may act as agent or to whom they may sell as principal (which discounts, concessions or commissions as to particular underwriters, broker-dealers or agents may be in excess of those customary in the types of transactions involved). In connection with sales of ordinary shares represented by ADSs or otherwise, the selling shareholders may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the ordinary shares represented by ADSs in the course of hedging in positions they assume. The selling shareholders may also sell ordinary shares represented by ADSs short and deliver ordinary shares represented by ADSs covered by this prospectus to close out short positions and to return borrowed shares in connection with such short sales. The selling shareholders may also loan or pledge ordinary shares represented by ADSs to broker-dealers that in turn may sell such shares.

The selling shareholders may pledge or grant a security interest in some or all of the warrants, placement agent warrants or ADSs owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the ordinary shares represented by ADSs from time to time pursuant to this prospectus or any amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933, as amended, amending, if necessary, the list of selling shareholders to include the pledgee, transferee or other successors in interest as selling shareholders under this prospectus. The selling shareholders also may transfer and donate the ordinary shares represented by ADSs in other circumstances in which case the transferees, donees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

The selling shareholders and any broker-dealer participating in the distribution of the ordinary shares represented by ADSs may be deemed to be "underwriters" within the meaning of the Securities Act, and any commission paid, or any discounts or concessions allowed to, any such broker-dealer may be deemed to be underwriting commissions or discounts under the Securities Act. At the time a particular offering of the ordinary shares represented by ADSs is made, a prospectus supplement, if required, will be distributed which will set forth the aggregate amount of ordinary shares represented by ADSs being offered and the terms of the offering, including the name or names of any broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling shareholders and any discounts, commissions or concessions allowed or reallowed or paid to broker-dealers.

Under the securities laws of some states ordinary shares represented by ADSs may be sold in such states only through registered or licensed brokers or dealers. In addition, in some states ordinary shares represented by ADSs may not be sold unless such ordinary shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

There can be no assurance that any selling shareholder will sell any or all of the ordinary shares represented by ADSs registered pursuant to the registration statement, of which this prospectus forms a part.

The selling shareholders and any other person participating in such distribution will be subject to applicable provisions of the Exchange Act, and the rules and regulations thereunder, including, without limitation, Regulation M of the Exchange Act, which may limit the timing of purchases and sales of any of the ordinary shares represented by ADSs by the selling shareholders and any other participating person. Regulation M may also restrict the ability of any person engaged in the distribution of the ordinary shares represented by ADSs to engage in market-making activities with respect to the ordinary shares represented by ADSs. All of the foregoing may affect the marketability of the ordinary shares represented by ADSs and the ability of any person or entity to engage in market-making activities with respect to the ordinary shares represented by ADSs.

We will pay all expenses of the registration of the ordinary shares represented by ADSs, estimated to be $50,000 in total, including, without limitation, Securities and Exchange Commission filing fees and expenses of compliance with state securities or "blue sky" laws; provided, however, that a selling shareholder will pay all underwriting discounts and selling commissions, if any.

Once sold under the registration statement, of which this prospectus forms a part, the ordinary shares represented by ADSs will be freely tradable in the hands of persons other than our affiliates.

LEGAL MATTERS

McDermott Will & Emery LLP, New York, New York, has passed upon certain legal matters regarding the securities offered hereby under U.S. law, and Doron Tikotzky Kantor Gutman & Amit Gross, Ramat Gan, Israel, has passed upon certain legal matters regarding the securities offered hereby under Israeli law.

EXPERTS

The consolidated financial statements of Can-Fite BioPharma Ltd. and its subsidiaries as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 incorporated by reference in this prospectus have been audited by Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global, an independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-1, including amendments and relevant exhibits and schedules, under the Securities Act covering the ordinary shares represented by ADSs to be sold in this offering. This prospectus, which constitutes a part of the registration statement, summarizes material provisions of contracts and other documents that we refer to in the prospectus. Since this prospectus does not contain all of the information contained in the registration statement, you should read the registration statement and its exhibits and schedules for further information with respect to us and our ordinary shares and the ADSs. Our SEC filings, including the registration statement, are also available to you on the SEC's Web site at http://www.sec.gov.

In addition, since our ordinary shares are traded on the TASE, in the past we filed Hebrew language periodic and immediate reports with, and furnished information to, the TASE and the Israel Securities Authority, or the ISA, as required under Chapter Six of the Israel Securities Law, 1968. On March 31, 2014, we transitioned solely to U.S. reporting standards in accordance with an applicable exemption under the Israel Securities Law. Copies of our SEC filings and submissions are submitted to the Israeli Securities Authority and TASE. Such copies can be retrieved electronically through the MAGNA distribution site of the Israeli Securities Authority (www.magna.isa.gov.il) and the TASE website (maya.tase.co.il).

We are subject to the information reporting requirements of the Exchange Act that are applicable to foreign private issuers, and under those requirements we file reports with the SEC. Those other reports or other information may be inspected without charge at the locations described above. As a foreign private issuer, we are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. However, we file with the SEC, within four months after the end of each fiscal year, or such applicable time as required by the SEC, an annual report on Form 20-F containing financial statements audited by an independent registered public accounting firm, and submit to the SEC, on Form 6-K, unaudited quarterly financial information for the first three quarters of each fiscal year within 60 days after the end of each such quarter, or such applicable time as required by the SEC.

INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated under the laws of the State of Israel. Service of process upon us, our Israeli subsidiaries, our directors and officers and the Israeli experts, if any, named in this prospectus, substantially all of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, because the majority of our assets and investments, and substantially all of our directors, officers and such Israeli experts, if any, are located outside the United States, any judgment obtained in the United States against us or any of them may be difficult to collect within the United States.

We have been informed by our legal counsel in Israel that it may also be difficult to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that Israel is not the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. There is little binding case law in Israel addressing these matters. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law.

Subject to specified time limitations and legal procedures, under the rules of private international law currently prevailing in Israel, Israeli courts may enforce a U.S. judgment in a civil matter, including a judgment based upon the civil liability provisions of the U.S. securities laws, as well as a monetary or compensatory judgment in a non-civil matter, provided that the following conditions are met:

- subject to limited exceptions, the judgment is final and non-appealable;
- the judgment was given by a court competent under the laws of the state of the court and is otherwise enforceable in such state;
- the judgment was rendered by a court competent under the rules of private international law applicable in Israel;
- the laws of the state in which the judgment was given provide for the enforcement of judgments of Israeli courts;
- adequate service of process has been effected and the defendant has had a reasonable opportunity to present his arguments and evidence;
- the judgment and its enforcement are not contrary to the law, public policy, security or sovereignty of the State of Israel;
- the judgment was not obtained by fraud and does not conflict with any other valid judgment in the same matter between the same parties; and
- an action between the same parties in the same matter was not pending in any Israeli court at the time the lawsuit was instituted in the U.S. court.

We have appointed Puglisi & Associates as our agent to receive service of process in any action against us in any United States federal or state court arising out of this offering or any purchase or sale of securities in connection with this offering.

If a foreign judgment is enforced by an Israeli court, it generally will be payable in Israeli currency, which can then be converted into non-Israeli currency and transferred out of Israel. The usual practice in an action before an Israeli court to recover an amount in a non-Israeli currency is for the Israeli court to issue a judgment for the equivalent amount in Israeli currency at the rate of exchange in force on the date of the judgment, but the judgment debtor may make payment in foreign currency. Pending collection, the amount of the judgment of an Israeli court stated in Israeli currency ordinarily will be linked to the Israeli consumer price index plus interest at the annual statutory rate set by Israeli regulations prevailing at the time. Judgment creditors must bear the risk of unfavorable exchange rates.

CAN-FITE BIOPHARMA LTD. AND ITS SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

Consolidated Financial Statements As of December 31, 2017

Unaudited Interim Condensed Consolidated Financial Statements As of June 30, 2018

Kost Forer Gabbay & Kasierer
144 Menachem Begin Road
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACOUNTING FIRM

To the Shareholders and Board of Directors of CAN-FITE BIOPHARMA LTD. AND ITS SUBSIDIARIES.

Opinion on the Financial Statements

We have audited the accompanying consolidated financial position of Can-Fite and its subsidiaries Ltd (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of other comprehensive loss, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidation financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Kost Forer Gabbay & Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

We have served as the Company's auditor since at least 2001, but we are unable to determine the specific year.
Tel-Aviv, Israel
August 8, 2018

CAN-FITE BIOPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousands (except for share and per share data)

	Note	December 31, 2017	December 31, 2016
		USD	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 3,505	$ 8,115
Other accounts receivables and prepaid expenses	5	3,159	2,007
Total current assets		6,664	10,122
NON-CURRENT ASSETS:			
Lease deposit		5	10
long-term investment	6	917	-
Property, plant and equipment, net	7	28	40
Total long-term assets		950	50
Total assets		$ 7,614	$ 10,172

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

CAN-FITE BIOPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousands (except for share and per share data)

	Note	December 31, 2017	December 31, 2016
		USD	
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade payables		$ 427	$ 1,249
Deferred revenues	10	330	322
Other accounts payable	8	997	933
Warrants exercisable into shares (Series 10-12)		-	564
Total current liabilities		1,754	3,068
NON-CURRENT LIABILITIES:			
Deferred revenues	10	846	1,143
Total Long-term liabilities		846	1,143
CONTIGENT LIABILITIES AND COMMITMENTS	10		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	11		
Share capital		2,123	1,783
Share premium		81,104	79,864
Capital reserve from share-based payment transactions		5,547	5,167
Warrants exercisable into shares		8,815	6,947
Treasury shares, at cost		-	(970)
Accumulated other comprehensive income		1,127	491
Accumulated deficit		(93,702)	(87,363)
Total equity attributable to equity holders of the company		5,014	5,919
Non-controlling interests		-	42
Total equity		5,014	5,961
Total liabilities and equity		$ 7,614	$ 10,172

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

CAN-FITE BIOPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

In thousands (except for share and per share data)

	Note	Year ended December 31, 2017	2016	2015
		USD		
Revenues	10	$ 789	$ 165	$ 162
Research and development expenses	13	5,106	6,115	3,904
General and administrative expenses	14	2,868	2,733	2,735
Operating loss		7,185	8,683	6,477
Other income	1b	(769)	-	-
Financial expenses	15	621	55	133
Financial income	15	(633)	(374)	(106)
Total Financial income, net		(12)	(319)	27
Loss before taxes on income		6,404	8,364	6,504
Taxes on income	17	29	29	5
Net loss		6,433	8,393	6,509
Other comprehensive loss:				
Amounts that will not be reclassified subsequently to profit or loss:				
Adjustment arising from translating financial statements from functional currency to presentation currency		(636)	(119)	58
Remeasurement loss from defined benefit plans		-	-	99
Total other comprehensive		(636)	(119)	157
Total comprehensive loss		$ 5,797	$ 8,274	$ 6,666
Net loss Attributable to:				
Equity holders of the Company		$ 6,339	$ 8,257	$ 6,243
Non-controlling interests		94	136	266
		6,433	8,393	6,509
Total comprehensive loss attributable to:				
Equity holders of the Company		5,703	8,138	6,400
Non-controlling interests		94	136	266
		$ 5,797	$ 8,274	$ 6,666
Net loss per share attributable to equity holders of the Company:				
Basic and diluted net loss per share	16	$ 0.19	$ 0.30	$ 0.27

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

CAN-FITE BIOPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

In thousands (except for share and per share data)

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve from share-based payment transactions	Warrants exercisable into shares	Treasury shares	Accumulated other comprehensive income (loss)	Accumulated deficit	Total	Non-controlling interests	Total Equity
	USD									
Balance as of January 1, 2015	$ 1,373	$ 72,534	$ 4,317	$ 2,633	$ (970)	$ 389	$ (72,723)	$ 7,553	$ 419	$ 7,972
Net loss	-	-	-	-	-	-	(6,243)	(6,243)	(266)	(6,509)
Remeasurement gain (loss) from defined benefit plans	-	-	-	-	-	(99)	-	(99)	-	(99)
Adjustment arising from translating financial statements from functional currency to presentation currency	-	-	-	-	-	(58)	-	(58)	-	(58)
Total comprehensive loss	-	-	-	-	-	(157)	(6,243)	(6,400)	(266)	(6,666)
Issuance of share capital and warrants, net of issue expenses of USD 1,314	407	7,330	460	4,314	-	-	-	12,511	-	12,511
Share-based payments	-	-	87	-	-	-	-	87	22	109
Balance as of December 31, 2015	$ 1,780	$ 79,864	$ 4,864	$ 6,947	$ (970)	$ 232	$ (78,966)	$ 13,751	$ 175	$ 13,926

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

CAN-FITE BIOPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

In thousands (except for share and per share data)

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve from share-based payment transactions	Warrants exercisable into shares	Treasury shares	Accumulated other comprehensive income (loss)	Accumulated deficit	Total	Non-controlling interests	Total Equity
	USD									
Balance as of January 1, 2016	$ 1,780	$ 79,864	$ 4,864	$ 6,947	$ (970)	$ 232	$ (78,966)	$ 13,751	$ 175	$ 13,926
Net loss	-	-	-	-	-	-	(8,257)	(8,257)	(136)	(8,393)
Loss from defined benefit plans	-	-	-	-	-	140	(140)	-	-	-
Adjustment arising from translating financial statements from functional currency to presentation currency	-	-	-	-	-	119	-	119	-	119
Total comprehensive loss	-	-	-	-	-	259	(8,397)	(8,138)	(136)	(8,274)
Share-based payments	3	-	303	-	-	-	-	306	3	309
Balance as of December 31, 2016	$ 1,783	$ 79,864	$ 5,167	$ 6,947	$ (970)	$ 491	$ (87,363)	$ 5,919	$ 42	$ 5,961

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

CAN-FITE BIOPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

In thousands (except for share and per share data)

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve from share-based payment transactions	Warrants exercisable into shares	Treasury shares	Accumulated other comprehensive income	Accumulated deficit	Total	Non-controlling interests	Total Equity
	USD									
Balance as of January 1, 2017	$ 1,783	$ 79,864	$ 5,167	$ 6,947	$ (970)	$ 491	$ (87,363)	$ 5,919	$ 42	$ 5,961
Net loss	-	-	-	-	-	-	(6,339)	(6,339)	(94)	(6,433)
Adjustment arising from translating financial statements from functional currency to presentation currency	-	-	-	-	-	636	-	636	-	636
Total comprehensive loss	-	-	-	-	-	636	(6,339)	(5,703)	(94)	(5,797)
Issuance of share capital and warrants, net of issue expenses of USD 621	330	1,993	188	1,868	-		-	4,379	-	4,379
Issuance of share capital	10	85	-	-	-		-	95	-	95
Proceeds from sale of subsidiary in previously consolidated subsidiaries	-	(838)	-	-	970		-	132	52	184
Share-based payments	-	-	192	-	-	-	-	192	-	192
Balance as of December 31, 2017	$ 2,123	$ 81,104	$ 5,547	$ 8,815	$ -	$ 1,127	$ (93,702)	$ 5,014	$ -	$ 5,014

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

CAN-FITE BIOPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands (except for share and per share data)

	Year ended December 31,		
	2017	**2016**	**2015**
	USD		
Cash flows from operating activities:			
Net loss	$ (6,433)	$ (8,393)	$ (6,509)
Adjustments to reconcile loss to net cash used:			
Depreciation of property, plant and equipment	19	18	16
Share-based payment	192	309	109
Decrease in severance pay, net	-	(152)	5
Changes in fair value of warrants liability exercisable into shares	(72)	(232)	80
Changes in fair value of long-term investment	5	-	-
Gain from sale of investment in previously consolidated subsidiaries (a)	(769)	-	-
Exchange differences on balances of cash and cash equivalents	83	82	13
	(542)	25	223
Working capital adjustments:			
Decrease (increase) in accounts receivable, prepaid expenses and lease deposit	(2,907)	(1,397)	332
Increase (decrease) in trade payable	(293)	816	187
Increase (decrease) in deferred revenues	(289)	335	1,130
Increase (decrease) in other accounts payable	906	(100)	(178)
	(1,997)	(346)	1,471
Net cash used in operating activities	$ (8,972)	$ (8,714)	$ (4,815)

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

CAN-FITE BIOPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands (except for share and per share data)

	Year ended December 31,		
	2017	**2016**	**2015**
	USD		
Cash flows from investing activities:			
Purchase of property, plant and equipment	$ (7)	$ (10)	$ (42)
Proceeds from sale of investments in previously consolidated subsidiaries (a)	(22)	-	-
Net cash used in investing activities	(29)	(10)	(42)
Cash flows from financing activities:			
Issuance of share capital and warrants, net of issuance expenses	4,474	-	12,511
Net cash provided by financing activities	4,474	-	12,511
Exchange differences on balances of cash and cash equivalents	(83)	(82)	(13)
Increase (decrease) in cash and cash equivalents	(4,610)	(8,806)	7,641
Cash and cash equivalents at the beginning of the year	8,115	16,921	9,280
Cash and cash equivalents at the end of the year	3,505	8,115	16,921
Supplemental disclosure of cash flow information:			
Cash paid during the year for income taxes	29	29	5
Cash received during the year for interest	$ 69	$ 89	$ 22

	Year ended December 31,		
	2017	**2016**	**2015**
	USD		
(a) Proceeds from sale of investments in previously consolidated subsidiaries:			
The subsidiaries' assets and liabilities at date of sale:			
Working capital (excluding cash and cash equivalents)	$ (53)	$ -	$ -
Treasury shares deduction, net	132	-	-
Non-controlling interests	52	-	-
Gain (loss) from sale of subsidiaries	769	-	-
Long term investments	(922)	-	-
	$ (22)	$ -	$ -

*) Represent an amount lower than USD 1.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands (except for share and per share data)

NOTE 1:- GENERAL

a. Company description:

Can-Fite Biopharma Ltd. (the "Company") was incorporated and started to operate in September 1994 as a private Israeli company. Can-Fite is a clinical-stage biopharmaceutical company focused on developing orally bioavailable small molecule therapeutic products for the treatment of autoimmune-inflammatory, oncological and sexual dysfunction indications. Its platform technology utilizes the Gi protein associated A3AR as a therapeutic target. A3AR is highly expressed in inflammatory and cancer cells, and not significantly expressed in normal cells, suggesting that the receptor could be a unique target for pharmacological intervention. The Company's pipeline of drug candidates are synthetic, highly specific agonists and allosteric modulators, or ligands or molecules that initiate molecular events when binding with target proteins, targeting the A3AR.

The Company's ordinary shares have been publicly traded on the Tel-Aviv Stock Exchange since October 2005 under the symbol "CFBI" and the Company's American Depositary Shares ("ADSs") began public trading on the over the counter market in the U.S. in October 2012 and since November 2013 the Company's ADSs have been publicly traded on the NYSE American under the symbol "CANF".

b. The Company owned 82% of a U.S. based subsidiary, Ophthalix, Inc. which developed the CF101 drug for treatment of ophthalmic indications under license from the Company. The license to develop this drug was transferred from the Company to Ophthalix, Inc. in the context of an ophthalmic activity spinoff transaction. Ophthalix, Inc. was traded in the over the counter market in the U.S. under the symbol "OPLI".

On May 21, 2017, OphthaliX and a wholly-owned private Israeli subsidiary of OphthaliX, Bufiduck Ltd. (the "Merger Sub"), and Wize Pharma Ltd. ("Wize"), an Israeli company formerly listed on the Tel Aviv Stock Exchange currently focused on the treatment of ophthalmic disorders, including dry eye syndrome, entered into an Agreement and Plan of Merger, or the Merger Agreement, providing for the merger of the Merger Sub with and into Wize, with Wize becoming a wholly-owned subsidiary of OphthaliX and the surviving corporation of the merger (the "Merger"). On November 16, 2017, the Merger was completed. As a result of the Merger, the Company's ownership of OphthaliX, immediately post-Merger, became approximately 8% of the outstanding shares of common stock. In addition, immediately prior to the Merger, OphthaliX sold on an "as is" basis to the Company all the ordinary shares of Eyefite in exchange for the irrevocable cancellation and waiver of all indebtedness owed by OphthaliX and Eyefite to the Company, including approximately USD 5,000 of deferred payments owed by OphthaliX and Eyefite to the Company and, as part of the purchase of Eyefite, the Company also assumed certain accrued milestone payments in the amount of USD 175 under a license agreement previously entered into with the NIH. In addition, that certain exclusive license of Piclidenson granted to OphthaliX by the Company and a related services agreement was terminated. In connection with the Merger, OphthaliX was renamed Wize Pharma, Inc.

As a result of the Merger, the Company recorded a capital gain of USD 769.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands (except for share and per share data)

NOTE 1:- GENERAL (Cont.)

c. During the year ended December 31, 2017, the Company incurred net losses of USD 6,433 and it had negative cash flows from operating activities in the amount of USD 8,972.

Furthermore, the Company intends to continue to finance its operating activities by raising capital and seeking collaborations with multinational companies in the industry. There are no assurances that the Company will be successful in obtaining an adequate level of financing needed for its long-term research and development activities.

If the Company will not have sufficient liquidity resources, the Company may not be able to continue the development of all of its products or may be required to delay part of its development programs. The Company's management and board of directors are of the opinion that its current financial resources will be sufficient to continue the development of the Company's products at least for twelve months from the balance sheet date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Definitions:

In these consolidated financial statements:

The Company	- Can-Fite Biopharma Ltd.
The Group	- The Company and its subsidiary (as defined below)
Subsidiaries	- Companies that are controlled by the Company (as defined in IAS 27 (2008)) and whose accounts are consolidated with those of the Company
Wize Pharma, Inc.	- Wize Pharma, Inc. (formerly OphthaliX Inc.)
Eye-Fite	- Eye-Fite Ltd (Can-Fite.'s wholly owned subsidiary)
Related parties	- As defined in IAS 24
NIS	- New Israeli Shekel
USD	- U.S. dollar
€	- European Union Euro
CAD	- Canadian dollar
ADS	- American Depositary Share ("ADS"). Each ADS represents 2 ordinary shares of the Company

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Company's financial statements have been prepared on a cost basis, except for financial assets and liabilities (including warrants) which are presented at fair value through statement of comprehensive loss.

The preparation of the financial statements requires management to make critical accounting estimates as well as exercise judgment in the process of adopting significant accounting policies. The matters which required the exercise of significant judgment and the use of estimates, which have a material effect on amounts recognized in the financial statements, are specified in Note 3.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (i.e., subsidiaries). Control is achieved when the Company is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The effect of potential voting rights that are exercisable at the end of the reporting period is considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests in subsidiaries represent the non-controlling shareholders' share of the total comprehensive loss of the subsidiaries and their share of the net assets. The non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

Upon the disposal of a subsidiary resulting in loss of control, the Company:

- derecognizes the subsidiary's assets (including goodwill) and liabilities.
- derecognizes the carrying amount of non-controlling interests.
- derecognizes the adjustments arising from translating financial statements carried to equity.
- recognizes the fair value of the consideration received.
- recognizes the fair value of any remaining investment.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- reclassifies the components previously recognized in other comprehensive income (loss) on the same basis as would be required if the subsidiary had directly disposed of the related assets or liabilities.
- recognizes any resulting difference (surplus or deficit) as gain or loss.

d. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

From the Company's inception through January 1, 2018, the Company's functional and presentation currency was the NIS. Management conducted a review of the functional currency of the Company and decided to change its functional and presentation currency to the USD from the NIS effective January 1, 2018. These changes were based on an assessment by Company management that the USD is the primary currency of the economic environment in which the Company operates.

In determining the appropriate functional currency to be used, the Company followed the guidance in International Accounting Standard 21 - The Effects of Changes in Foreign Exchange Rates ("IAS 21"), which states that factors relating to sales, costs and expenses, financing activities and cash flows, as well as other potential factors, should be considered. In this regard, the Company is incurring and expects to continue to incur a majority of its expenses in USD as a result of its expanded clinical trials including Phase 3 trials. These changes, as well as the fact that the majority of the Company's available funds are in USD, the Company's principal source of financing is the U.S. capital market, and all of the Company's budgeting is conducted solely in U.S. dollars, led to the decision to make the change in functional currency as of January 1, 2018, as indicated above.

At the date of change of functional currency, the Company also changed the presentation currency of these financial statements to the USD. This change was retrospectively implemented. In accordance with IAS 21, since the Company's presentation currency was different than its functional currency, results and financial position were translated using the following principles: (i) all assets and liabilities were translated using the current exchange rates, (ii) equity accounts were translated using the historical rates, and (iii) income and expenses for each statement of comprehensive income or separate income statement presented were translated at exchange rates at the dates of the transactions.

The Company also implements the guidance in IAS 21 regarding translating foreign currency financial statements of consolidated subsidiaries.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction.

After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange rate differences are recognized
in statement of comprehensive loss.

Non-monetary assets and liabilities measured at cost in foreign currency are translated at the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

3. Index-linked monetary items:

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at the end of each reporting period according to the terms of the agreement. Linkage differences arising from the adjustment, as above, are recognized in statement of comprehensive loss.

e. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the investment date.

f. Account receivables and prepaid expenses:

Prepaid expenses are composed mainly from active pharmaceutical ingredients and clinical trial drug-kits which are expensed based on the percentage of completion method of the related clinical trials.

g. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and excluding day-to-day servicing expenses.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Laboratory equipment and Leasehold improvements	10
Computers, office furniture and equipment	6 - 33

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including extension option held by the Company and intended to be exercised) and the expected life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimates**.** Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

h. Revenue recognition:

The Company generates revenues from distribution agreements. Such revenues comprises of upfront license fees, milestone payments and potential royalty payments.

The Company identified four components in the agreements: (i) performing the research and development services through regulatory approval; (ii) exclusive license to distribute the product; (iii) participation in joint steering committee; and, (iv) royalties resulting from future sales of the product.

The Company recognizes revenue in accordance with IAS 18, “Revenue” pursuant to which each required deliverable is evaluated to determine whether it qualifies as a separate unit of accounting based on whether the deliverable has “stand-alone value” to the customer. The arrangement’s consideration that is fixed or determinable is then allocated to each separate unit of accounting based on the relative selling price of each deliverable which is based on the Estimated Selling Price (‘‘ESP’’).

Components (i) – (iii) were analyzed as one unit of accounting. Consequently, revenue from these components is recorded based on the term of the research and development services (which is the last deliverable in the arrangement).

Contingent payments related to milestones will be recognized immediately upon satisfaction of the milestone and contingent payments related to royalties will be recognized in the period that the related sales have occurred.

Revenues from royalties will be recognized as they accrue in accordance with the terms of the relevant agreement.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Research and development expenditures:

Research expenditures are recognized in the statement of comprehensive loss when incurred.

j. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of the carrying amount of non financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of property, plant and equipment exceeds their recoverable amount, the property, plant and equipment are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss. As of December 31, 2017 and 2016, no impairment indicators have been identified.

k. Financial instruments:

1. Financial assets:

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

After initial recognition, the accounting treatment of financial assets is based on their classification as follows:

Financial assets at fair value through profit or loss:

This category includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

2. Financial liabilities:

Financial liabilities are initially recognized at fair value.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

Financial liabilities at fair value through statement of comprehensive loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through statement of comprehensive loss.

A liability may be designated upon initial recognition at fair value through profit or loss, subject to the provisions of IAS 39.

Issue of a unit of securities**:**

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the components of the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities and compound instruments that are presented at amortized cost. The consideration allocated to the equity instruments is determined as the residual value. The issuance costs are allocated to each component based on the amounts allocated to each component in the unit.

3. Derecognition of financial instruments:

a) Financial assets:

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Company transfers its rights to receive cash flows from an asset and neither transfers nor retains substantially all the risks and rewards of the asset nor transfers control of the asset, a new asset is recognized to the extent of the Company's continuing involvement in the asset. When continuing involvement takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay.

b) Financial liabilities:

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged, realized, cancelled or expires. A financial liability is extinguished when the debtor (i.e., the Group) discharges the liability by paying in cash, other financial assets, goods or services or shares, or is legally released from the liability.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

When an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amount of the above liabilities is recognized in statement of comprehensive loss.

If the exchange or modification is not substantial, it is accounted for as a change in the terms of the original liability and no gain or loss is recognized on the exchange.

l. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

m. Treasury shares:

Company shares held by OphthaliX are recognized at cost, and as a deduction from equity. Any gain or loss arising from a purchase, sale, issuance or cancellation of treasury shares is recognized directly in equity. As of December 31, 2017, the Company has no treasury shares. Please refer to note 1.b.

n. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Group expects part or all of the expense to be reimbursed to the Company, such as in an insurance contract, the reimbursement is recognized as a separate asset only when it is virtually certain that it will be received by the Company. The expense is recognized in the income statement net of the reimbursed amount.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation. No provisions pursuant to IAS 37 have been identified.

o. Employee benefit liabilities:

The Company's liability for severance pay is pursuant to Section 14 of the Severance Compensation Act, 1963 ("Section 14"), pursuant to which all the Company's employees are included under Section 14, and are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made in the employee's name with insurance companies. Under Israeli employment law, payments in accordance with Section 14 release the Company from any future severance payments in respect of those employees. The fund is made available to the employee at the time the employer-employee relationship is terminated, regardless of cause of termination. The severance pay liabilities and deposits under Section 14 are not reflected in the consolidated balance sheets as the severance pay risks have been irrevocably transferred to the severance funds.

p. Share-based payment transactions:

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions. The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using the binomial option pricing model.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration of equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted using binomial option pricing model.

The cost of equity-settled transactions is recognized in statement of comprehensive loss, together with a corresponding increase in equity, during the period which the performance and/or service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award (the "Vesting Period").

The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the Vesting Period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee/other service provider at the modification date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Taxes on income:

As it is not likely that taxable income will be generated in the foreseeable future, deferred tax assets due to accumulated losses is not recognized in the Group's financial statements.

r. Loss per share:

Losses per share are calculated by dividing the net loss attributable to equity holders of the Company by the weighted number of ordinary shares outstanding during the period. Potential ordinary shares (warrants and unlisted options) are only included in the computation of diluted loss per share when their conversion increases loss per share from continuing operations. Potential ordinary shares that are converted during the period are included in diluted loss per share only until the conversion date and from that date in basic loss per share.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUPMTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

- Estimates and assumptions**:**

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities and expenses. Changes in accounting estimates are reported in the period of the changes in estimates.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Determining the fair value of share-based payment transactions:

The fair value of share-based payment transactions is determined using an acceptable option-pricing model. The model includes data as to the share price and exercise price, and assumptions regarding expected volatility, expected life, expected dividend and risk-free interest rate.

- Legal claims:

In estimating the likelihood of outcome of legal claims filed against the Company and its subsideries, the companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUPMTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

- Deferred tax assets:

  Deferred tax assets are recognized for unused carryforward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits, its source and the tax planning strategy.

NOTE 4:- DISCLUSURE OF NEW IFRS IN THE PERIOD

a. IFRS 15 – Revenues from contracts with customers:

The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

IFRS 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. IFRS 15 allows an entity to choose to apply a modified retrospective approach. During 2017, the Company performed an assessment of IFRS 15 impact as described below.

The Company is in the business developing orally bioavailable small molecule therapeutic products. The Company received certain milestone and advances from commercialization, distribution and license agreements with strategic partners.

The Company performed the following preliminary assessment of IFRS 15:

In implementation of IFRS 15, the Company is considering the following:

(1) Variable consideration:

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Company recognizes revenue from achieving milestones, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Company defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, which will be required to be estimated at contract inception.

NOTE 4:- DISCLUSURE OF NEW IFRS IN THE PERIOD (Cont.)

IFRS 15 requires that the variable consideration be estimated conservatively to prevent over-recognition of revenue.

The Company continues to assess individual contracts to determine the estimated variable consideration and related constraint. There is no impact of IFRS 15 on the financial statements.

(2) Upfront and milestone payments:

Since the Company's agreements with strategic partners include upfront and milestone payments that contains a performance obligation that is satisfied over time. Currently, the Company defers the upfront payments and recognizes revenue over time by reference to the stage of completion.

Under IFRS 15, the Company would continue to recognize revenue for upfront payments over time rather than at a point of time. Upon adoption, the financing component will result in interest expenses which will be included in the Company's consolidated statement of operations to reflect the financial portion cost of the long-term deferred revenue that is related to such services. The Company identified the existence of a significant financing component resulting from an upfront payment. As of January 1, 2018, an amount of USD 350 will be recognized as an increase of the deferred revenue against an increase of accumulated deficit and through 2018 will be recognized as revenue in the financial statements.

(3) Presentation and disclosure requirements:

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and may significantly expand the disclosures required in Company's financial statements. Many of the disclosure requirements in IFRS 15 are completely new. In 2017 the Company updated the internal controls, policies and procedures necessary to collect and disclose the required information.

b. IFRS 9 - Financial Instruments:

In July 2014, the IASB completed the final element of its comprehensive response to the financial crisis by issuing IFRS 9 Financial Instruments. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. Certain securities that are currently measured at Fair Value through profit and lost will be measured at Fair Value through other comprehensive income (loss) due to implementation of IFRS 9. In addition, the Company will measure expected credit loss of the securities that will be measured at fair value through other comprehensive income (loss). IFRS 9 is to be applied for annual periods beginning on January 1, 2018. The Company does not expect to have any material impact from the adoption of IFRS 9 on the financial statements.

In thousands (except for share and per share data)

NOTE 4:- DISCLUSURE OF NEW IFRS IN THE PERIOD (Cont.)

c. IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16, that replaces IAS 17, Leases, will only imply insignificant changes to the accounting for lessors. For lessees, the accounting will change significantly, as all leases (except short term leases and small asset leases) will be recognized on balance sheet. Initially, the lease liability and the right-of-use asset is measured at the present value of future lease payments (defined as economically unavoidable payments). The right-of-use asset is subsequently depreciated in a similar way to other assets such as tangible assets, i.e. typically in a straight-line over the lease term. The new Standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted provided that IFRS 15, "Revenue from Contracts with Customers", is applied concurrently. The Company is evaluating the possible impact of IFRS 16 but is presently unable to assess its effect, on the financial statements.

NOTE 5:- ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31,	
	2017	2016
	USD	
Government authorities	$ 66	$ 22
Prepaid expenses and others	$ 3,093	$ 1,985
	$ 3,159	$ 2,007

NOTE 6:- LONG-TERM INVESTMENT

The Company holds 8,563,254 shares of Wize Pharma Inc. (formally known as OphthaliX) as of December 31, 2017 which as of such date represents 8.2% percent of Wize Pharma Inc's outstanding shares. The shares are classified as financial asset as designated at fair value through profit or loss.

In thousands (except for share and per share data)

NOTE 7:- PROPERTY, PLANT AND EQUIPMENT, NET

Balance as of December 31, 2017:

	Laboratory equipment	Computers, office furniture and equipment	Leasehold improvements	Total
	USD			
Cost:				
Balance at January 1, 2017	$ 22	$ 173	$ 6	$ 201
Purchases during the year	-	7	-	7
Balance at December 31, 2017	22	180	6	208
Accumulated depreciation:				
Balance at January 1, 2017	10	146	5	161
Depreciation during the year	4	15	*-)	19
Balance at December 31, 2017	14	161	5	180
Depreciated cost at December 31, 2017	$ 8	$ 19	$ 1	$ 28

Balance as of December 31, 2016:

	Laboratory equipment	Computers, office furniture and equipment	Leasehold improvements	Total
	USD			
Cost:				
Balance at January 1, 2016	$ 21	$ 164	$ 6	$ 191
Purchases during the year	1	9	-	10
Sale of fixed assets	-	*-)	-	*-)
Balance at December 31, 2016	22	173	6	201
Accumulated depreciation:				
Balance at January 1, 2016	7	132	4	143
Depreciation during the year	3	14	1	18
Sale of fixed assets	-	*-)	-	*-)
Balance at December 31, 2016	10	146	5	161
Depreciated cost at December 31, 2016	$ 12	$ 27	$ 1	$ 40

*) Represents an amount less than USD 1.

In thousands (except for share and per share data)

NOTE 8:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2017	2016
	USD	
Employees and payroll accruals	$ 225	$ 104
Accrued expenses	772	829
	$ 997	$ 933

NOTE 9:- FINANCIAL INSTRUMENTS

a. Financial assets:

	December 31,	
	2017	2016
	USD	
Financial assets at fair value through profit or loss:		
long-term investment	$ 917	$ -

b. Financial liabilities, interest-bearing loans and borrowings:

	December 31,	
	2017	2016
	USD	
Financial liabilities at fair value through profit or loss:		
Trade payable	$ 427	$ 1,249
Other account payable	997	933
Deferred revenues	1,176	1,465
Warrants exercisable into shares	-	564
	$ 2,600	$ 4,211

c. Financial risks factors:

The Group's activities expose it to foreign exchange risk. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

The Company's management identifies and manages financial risks.

d. Foreign exchange risk:

The Group is exposed to foreign exchange risk resulting from the exposure to different currencies, mainly the NIS. Foreign exchange risk arises on recognized assets and liabilities that are denominated in a foreign currency other than the functional currency.
The Group acts to reduce the foreign exchange risk by managing an adequate part of the available liquid sources in or linked to the NIS.

e. Fair value:

The carrying amount of cash and cash equivalents, Short-term investments ,trade payables and other accounts payable approximate their fair value.

In thousands (except for share and per share data)

NOTE 9:- FINANCIAL INSTRUMENTS (Cont.)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1 - Valuations based on unadjusted quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The Company's warrants exercisable into shares liability and the long term investment are classified as Level 1 in the fair value hierarchy, and measured at fair value on a recurring basis.

Fair value measurements using significant unobservable inputs (Level 1):

	USD
Balance at December 31, 2015	$ 849
Changes in values of warrants exercisable into shares liability	(285)
Balance at December 31, 2016	564
Changes in values of warrants exercisable into shares liability	(564)
Balance at December 31, 2017	-

NOTE 9:- FINANCIAL INSTRUMENTS (Cont.)

Based on the Group's policy, the Group generally mitigates the currency risk arising from recognized assets and recognized liabilities denominated in foreign currency other than the functional currency by maintaining part of the available liquid sources in deposits in foreign currency. Accordingly, the main currency exposures presented in the sensitivity tables are for those deposits.

NOTE 10:- CONTINGENT LIABILITIES AND COMMITMENTS

a. Liabilities to pay royalties:

1. According to the license agreement that the Company entered into with the NIH on January 29, 2003, the Company was committed to pay royalties until the expiration of the last patent licensed under the license agreement. The last patent under this agreement expired on June 29, 2015, and therefore except with respect to any amounts already accrued on the Company's balance sheet, no future payments or royalties will be due.

   Following the Merger the Company accrued USD 250 in other accounts payable with respect to the NIH.

2. According to the patent license agreement that the Company entered into with Leiden University in the Netherlands on November 2, 2009, which is affiliated with the NIH, the Company was granted an exclusive license for the use of the patents of several compounds, including CF602 in certain territories.

   The Company is committed to pay royalties as follows:

   a) A one-time concession commission of € 25;
   b) Annual royalties of € 10 until the clinical trials commence;
   c) 2%-3% of net sales (as defined in the agreement) received by the Company;
   d) Royalties in a total amount of up to € 850 based on certain progress milestones in the license stages of the products, which are the subject of the patent under the agreement, as follows: (i) € 50 upon initiation of Phase I studies; (ii) € 100 upon initiation of Phase II studies; (iii) € 200 upon initiation of Phase III studies; and (iv) € 500 upon marketing approval by any regulatory authority.
   e) I f the agreement is sublicensed to another company, the Company will provide Leiden University royalties at a rate of 10%. A merger, consolidation or any other change in ownership will not be viewed as an assignment of the agreement as discussed in this paragraph.

   As of December 31 2017, no accrual is recorded with respect to Leiden University.

NOTE 10:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

b. Commitments and license agreements:

1. In March 2015, the Company signed a distribution agreement with Cipher. As part of the distribution agreement, Cipher will distribute Can-Fite's lead drug candidate, Piclidenoson for the treatment of psoriasis and rheumatoid arthritis in the Canadian market upon receipt of regulatory approvals.

   Under the terms of the agreement, Cipher made an upfront payment of USD 1,292 (CAD 1,650) to the Company in March 2015. In addition, the agreement provides that additional payments of up to CAD 2,000 will be received by the Company upon the achievement of certain milestones plus royalty payments of 16.5% of net sales of Piclidenoson in Canada.

   The agreement further provides that the Company will deliver finished product to Cipher and that Cipher will reimburse the Company for the cost of manufacturing. Furthermore, under the distribution agreement, the Company shall be responsible for conducting product development activities including management of the clinical studies required in order to secure regulatory approvals, and shall use commercially reasonable efforts in conducting such activities. In addition the Company agreed obliged to form a joint steering committee with Cipher which will oversee the progress of the clinical studies.

   The Company identified four components in the agreement: (i) performing the research and development services through regulatory approval; (ii) an exclusive license to distribute the product in Canada; (iii) participation in joint steering committee; and, (iv) royalties resulting from future sales of the product. Components (i) – (iii) were analyzed as one unit of accounting. Consequently, revenue from these components is recorded based on the term of the research and development services (which is the last deliverable in the arrangement). The Company estimates these services will be spread over a period of 24 quarters. Component (iv) was not accounted as part of the research and development services and will be recognized entirely upon the Company reaching the sales stage. The useful life, depreciation method and residual value of a liability are reviewed at least each year-end.

2. In October 2016, the Company signed a distribution agreement with Chong Kun Dang Pharmaceuticals Corp. ("CKD") for future sales in South Korea. As part of the distribution agreement, CKD will distribute Namodenoson, CF102 ("Product") for the treatment of liver cancer in the South Korean market upon receipt of regulatory approvals.

   Under the terms of the agreement, CKD made an upfront payment of USD 500 to the Company in December 2016 and in August 2017, the Company received a second milestone payment in the amount of USD 500 from CKD, which has licensed the exclusive right to distribute Namodenoson for the treatment of liver cancer in Korea upon receipt of regulatory approvals.

In thousands (except for share and per share data)

NOTE 10:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

In addition, the agreement provides that additional payments of up to USD 2,500 will be received by the Company upon the achievement of certain milestones plus royalty payments of 23% of net sales of Namodenoson in South Korea.

The agreement further provides that the Company will deliver finished Product to CKD and that CKD will reimburse the Company for the cost of manufacturing. The Company identified four components in the agreement: (i) performing the research and development services through regulatory approval; (ii) an exclusive license to distribute the product in South Korea;(iii) participation in a joint steering committee; and, (iv) royalties resulting from future sales of the product. Components (i) – (iii) were analyzed as one unit of accounting. Consequently, revenue from these components is recorded based on the term of the research and development services (which is the last deliverable in the arrangement). The useful life, depreciation method and residual value of a liability are reviewed at least each year-end.

The Company estimates these services will spread over a period of 24 quarters. Component (iv) was not accounted as part of the research and development services and will be recognized entirely upon the Company reaching sales stage.

3. On December 22, 2008, the Company signed an agreement regarding the provision of a license for Piclodenoson with a South Korean pharmaceutical company, Kwang Dong Pharmaceutical Co. Ltd. (the "KD"). According to the license agreement, the Company granted the KD a license to use, develop and market its Piclodenoson for treating only rheumatoid arthritis only in the Republic of Korea.

   As of December 31, 2017, the Company estimates that such contingent payments are remote.

4. Lease commitments:

   The Company lease motor vehicles through operating leases. The lease is for a period ending September 2019. Future minimum lease commitments under non-cancelable operating leases as of December 31, 2017 are as follows:

	USD
2018	$ 29
2019	9
	$ 38

   Lease expenses for the years ended December 31, 2016 and 2017 were approximately USD 54 and USD 58, respectively.

c. Class action:

On June 29, 2015 the Company received a lawsuit requesting recognition of the lawsuit as a class action, naming the Company, its Chief Executive Officer and its directors as defendants. The lawsuit was filed with the District Court of Tel-Aviv.

In thousands (except for share and per share data)

NOTE 10:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

The lawsuit alleged, among other things, that the Company misled the public with regard to disclosures concerning the efficacy of the Company's drug candidate, Piclidenoson.

The claimant alleged that he suffered personal damages of over USD 21 (approximately NIS 73 based on the exchange rate reported by the Bank of Israel on December 31, 2017), while also claiming that the shareholders of the Company suffered damages of approximately USD 36,000 (approximately NIS 125,000 based on the exchange rate reported by the Bank of Israel on December 31, 2017). On July 18, 2017, the District Court of Tel-Aviv issued a ruling in which it denied the request to recognize the lawsuit as a class action and awarded the Company an amount of USD 14 (approximately NIS 50 based on the exchange rate reported by the Bank of Israel on December 31, 2017) to pay the Company's expenses in relation to such lawsuit.

On October 26, 2017, the claimant filed a petition with the Supreme Court appealing the District Court decision. On January 28, 2018, the Supreme Court issued a notice of procedures to be complied with by the relevant parties leading up to a formal hearing scheduled for December 5, 2018.

The Company believes that according to the legal advisors opinion the ruling of the District Court is not likely to be overturned.

NOTE 11:- EQUITY

a. Composition of share capital:

	December 31, 2017		December 31, 2016	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of Shares			
Ordinary shares of NIS 0.25 par value each	80,000,000	33,295,618	80,000,000	28,156,728

b. On December 3, 2015, a special general meeting of shareholders of the Company approved, in accordance with the majority required, a proposal to increase the Company's authorized share capital by NIS 10,000,000 such that following the increase, the authorized share capital shall equal NIS 20,000,000 divided into 80,000,000 ordinary shares, par value NIS 0.25 each, and to amend the Company's articles of association accordingly.

c. Issued and outstanding capital:

	Number of shares	NIS par value
Balance at December 31, 2015	28,119,728	7,029,932
Issuance of share capital	37,000	9,250
Balance at December 31, 2016	28,156,728	7,039,182
Issuance of share capital	5,138,890	1,284,722
Balance at December 31, 2017	33,295,618	8,323,904

NOTE 11:- EQUITY (Cont.)

All ordinary shares have equal rights for all intent and purposes and each ordinary share confers its holder:

1. The right to be invited and participate in all the Company's general meetings, both annual and regular, and the right to one vote per ordinary share owned in all votes and in all Company's general meeting participated.

2. The right to receive dividends if and when declared and the right to receive bonus shares if and when distributed.

3. The right to participate in the distribution of the Company's assets upon liquidation.

d. Issue of shares and warrants and changes in equity:

1. In September 2015, the Company completed a registered direct offering pursuant to which it sold an aggregate 2,068,966 ADSs representing 4,137,932 ordinary shares. In addition, the Company issued unregistered warrants to purchase 1,034,483 ADSs representing 2,068,966 ordinary shares. The offering (the "September 2015 Financing") resulted in gross proceeds of USD 9,000. For further information regarding the warrants, please refer to Note 11.f.3.

   In October 2015, the Company completed a registered direct offering pursuant to which it sold an aggregate 1,109,196 ADSs representing 2,218,392 ordinary shares. In addition, the Company issued unregistered warrants to purchase 443,678 ADSs representing 887,356 ordinary shares. The offering (the "October 2015 Financing") resulted in gross proceeds of USD 4,825. For further information regarding the warrants, please refer to Note 11.f.3.

   As part of the September 2015 Financing, the Company also issued placement agent warrants to purchase 103,448 ADSs representing 206,897 ordinary shares exercisable at USD 5.25 per ADS (equivalent to USD 2.625 per ordinary share), subject to certain adjustments, for a period of five years. In addition, as part of the October 2015 Financing, the Company also issued placement agent warrants to purchase 55,460 ADSs representing 110,920 ordinary shares exercisable at USD 5.25 per ADS (equivalent to USD 2.625 per ordinary share), subject to certain adjustments, for a period of five years.

   The investor warrants and placement agent warrants may be exercised on a cashless basis if six months after issuance there is no effective registration statement registering the ADSs underlying the warrants. The fair value of the placement agents warrants issued in the September 2015 Financing and October 2015 Financing at the grant date were USD 317 and USD 143, respectively and were considered as additional issuance costs.

NOTE 11:- EQUITY (Cont.)

The cash issuance costs in relation to the September 2015 Financing and October 31, 2015 Financing were USD 789 and USD 525, respectively.

In relation to the September 2015 Financing and October 2015 Financing, the Company first allocated the proceeds to the warrants, that due to the dollar exercise price terms and in accordance with IAS 39 is being considered a freestanding liability instrument that is measured at fair value at each reporting date, based on its fair value, with changes in the fair values being recognized in the Company's statement of comprehensive loss as financial income or expense. The remaining proceeds were allocated to the shares and were recorded to equity. The issuance costs were allocated between the warrants and the shares in proportion to the allocation of the proceeds.

The portions of the issuance costs that were allocated to the warrants and to the ordinary share were recorded as financial expense in the Company's statement of comprehensive loss and to the additional paid in capital in the Company's balance sheet, respectively.

2. In January 2017, the Company completed a registered direct offering with certain institutional and accredited investors, pursuant to which it sold an aggregate 2,500,000 ADSs representing 5,000,000 of its ordinary shares and warrants to purchase 1,250,000 ADSs representing 2,500,000 of its ordinary shares for an aggregate purchase price of USD 5,000 (the "January 2017 Financing"). The warrants may be exercised after 6 months from the date of issuance for a period of five and a half years and have an exercise price of USD 2.25 per ADS (subject to certain adjustments). The Company also issued placement agent warrants to purchase 125,000 ADSs representing 250,000 ordinary shares exercisable at USD 2.25 per ADS, subject to certain adjustments, for a period of five years. The investor warrants and placement agent warrants may be exercised on a cashless basis if six months after issuance there is no effective registration statement registering the ADSs underlying the warrants.

   The issuance costs in relation to the January 2017 Financing was USD 621.

   In relation to the January 2017 Financing, the Company first allocated the proceeds to the warrants, that due to the dollar exercise price terms and in accordance with IAS 39 is being considered a freestanding liability instrument that is measured at fair value at each reporting date, based on its fair value, with changes in the fair values being recognized in the Company's statement of comprehensive loss as financial income or expense. The remaining proceeds were allocated to the shares and were recorded to equity. The issuance costs were allocated between the warrants and the shares in proportion to the allocation of the proceeds.

   The portions of the issuance costs that were allocated to the warrants and to the ordinary share were recorded as financial expense in the Company's statement of comprehensive loss and to the additional paid in capital in the Company's balance sheet, respectively.

NOTE 11:- EQUITY (Cont.)

The fair value of the warrants issued to the investors in the January 2017 Financing at the commitment date was USD 1,868. The fair value of the placement agents warrants issued in the January 2017 Financing at the grant date were USD 188, and were considered as additional issuance costs.

3. In December 2017, the Company issued 69,445 ADSs representing 138,890 of its ordinary shares to one of its service providers for its services.

e. Warrants classified as equity:

1. On March 31, 2014, 9,907,500 registered warrants (Series 7) that were exercisable into 396,300 ordinary shares of the Company expired. Accordingly, the Company recorded an amount of USD 258 as Share premium.

2. As part of the March 2014 Financing and December 2014 Financing, the Company issued warrants. The warrants issued in the March 2014 Financing may be exercised after 6 months from the date of issuance for a period of four years and have an exercise price of USD 6.43 per ADS (equivalent to USD 3.215 per ordinary share) (subject to certain adjustments). The warrants issued in the December 2014 Financing may be exercised for a period of five years following issuance and have an exercise price of USD 4.45 per ADS (equivalent to USD 2.225 per ordinary share) (subject to certain adjustments). The fair value of the warrants issued as part of the March 2014 Financing as of commitment were USD 1,098. The fair value of the warrants issued as part of the December 2014 Financing as of commitment were USD 1,535.

3. As mentioned in Note 11.d.1, the Company issued warrants as part of the September 2015 Financing and October 2015 Financing. These warrants may be exercised after 6 months from the date of issuance for a period of five and a half years and have an exercise price of USD 5.25 per ADS (equivalent to USD 2.625 per ordinary share) (subject to certain adjustments). The fair value of the warrants issued as part of the September 2015 Financing as of commitment were USD 3,167. The fair value of the warrants issued as part of the October 2015 Financing as of commitment were USD 1,147.

4. As mentioned in Note 11.d.2 the Company issued warrants as part of the January 2017 Financing. The fair value of the warrants issued as part of the January 2017 Financing as of commitment date were USD 1,868.

f. Warrants classified as liability:

The Company had 39,042,000 registered warrants (Series 10) that were exercisable into 1,561,680 ordinary shares of the Company for NIS 9.85 per share. The warrants were exercisable, according to the court approval, until October 31, 2017.

The fair value of the warrants (Series 10), as of December 31, 2015 and 2016 were USD 240 and USD 146, respectively. Changes in fair value of the warrants from commitment date to December 31, 2017 were recorded as financial income in the Company’s statement of comprehensive loss.

NOTE 11:- EQUITY (Cont.)

The Company had 37,372,500 registered warrants (Series 11) that were exercisable into 1,494,900 ordinary shares of the Company for NIS 9.80 per share. The warrants were exercisable, according to the court approval, until October 31, 2017.

The fair value of the warrants (Series 11), as of December 31, 2015 and 2016 were USD 307 and USD 126, respectively. Changes in fair value of the warrants from commitment date to December 31, 2017 were recorded as financial income in the Company's statement of comprehensive loss.

The Company had 1,470,000 registered warrants (Series 12) that were exercisable into 1,470,000 ordinary shares of the Company for NIS 15.29 per share. The warrants were exercisable, according to the court approval, until October 31, 2017.

The fair value of the warrants (Series 12), as of December 31, 2015 and 2016 were USD 303 and USD 291, respectively. Changes in fair value of the warrants from commitment date to December 31, 2017 were recorded as financial income in the Company's statement of comprehensive loss.

As described at Note 11.e.3, in September and October 2015 the Company issued warrants to purchase 2,275,863 and 998,276 of the Company's ordinary shares, respectively.

On October 31, 2017 the registered warrants (Series 10,11,12) expired.

g. Stock options:

On November 28, 2013, the board of directors approved the adoption of the 2013 Share Option Plan (the "2013 Plan"). Under the 2013 Plan, the Company may grant its officers, directors, employees and consultants, Stock options, of the Company. Each Stock option granted shall be exercisable at such times and terms and conditions as the Board of Directors may specify in the applicable option agreement, provided that no option will be granted with a term in excess of 10 years.

Upon the adoption of the 2013 ESOP the Company reserved for issuance 1,000,000 shares of ordinary shares, NIS 0.25 par value each.

In thousands (except for share and per share data)

NOTE 12:- SHARE-BASED PAYMENT TRANSACTIONS

a. Expenses recognized in the financial statements:

	Year ended December 31,		
	2017	2016	2015
	USD		
Research and development expenses	$ 139	$ 129	$ 53
General and administrative expenses	53	180	56
	$ 192	$ 309	$ 109

b. Share-based payment transactions granted by the Company:

1. On March 19, 2015, the Company's board of directors approved a grant of unlisted options exercisable into 40,000 of the Company's ordinary shares to three of its employees and one senior officer for an exercise price of NIS 8.118 per shares (USD 2.34 per share based on the exchange rate reported by the Bank of Israel on December 31, 2017). The options vest on a quarterly basis for a period of 4 years from the grant date.

2. In October 2015, the Company granted an amount of 200,000 options to acquire up to 200,000 of the Company's ordinary shares to one of its directors at an exercise price of NIS 3.573 per share (USD 1.03 per share based on the exchange rate reported by the Bank of Israel on December 31, 2017). The options vest over a period of three years on a quarterly basis for 12 consecutive quarters from the date of the grant. The term of the options is 10 years.

3. In February 2016, the Company's board of directors approved a grant of unlisted options exercisable into 160,000 of the Company's ordinary shares to three of its employees and one senior officer for an exercise price of NIS 4.317 per shares (USD 1.24 per share based on the exchange rate reported by the Bank of Israel on December 31, 2017). The options vest on quarterly basis for a period of 4 years from the grant date.

4. In May 2016, the Company's board of directors approved a grant of 74,000 shares of the Company to a service provider. Pursuant to the agreement with the service provider, and as partial consideration, the Company issued 37,000 ordinary shares and agreed to issue an additional 37,000 ordinary shares within 180 days, provided that the agreement was not terminated. During 2016 the Company recorded an amount of USD 74 for share based payment expenses relating to this transaction.

In thousands (except for share and per share data)

NOTE 12:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

5. On May 26, 2016 the Company's board of directors approved a grant of 20,000 options exercisable into 20,000 ordinary shares of the Company to one of its advisers at an exercise price of 5.376 NIS per share (USD 1.55 per share based on December 31, 2017 exchange rate). The options will vest on a quarterly basis for a period of 4 years from the grant date.

6. In March 2017, the Company's board of directors approved a grant of unlisted options exercisable into 210,000 of the Company's ordinary shares to three of its employees for an exercise price of NIS 3.662 per share (USD 1.05 per share based on December 31, 2017 exchange rate). The options vest on a quarterly basis for a period of 48 months from the grant date.

7. In May 2017, the Company's board of directors approved a grant of unlisted options exercisable into 60,000 of the Company's ordinary shares to an advisor for an exercise price of NIS 3.393 per share (USD 0.98 per share based on the exchange rate reported by the Bank of Israel on December 31, 2017). The options vest on a quarterly basis for a period of 48 months from the grant date.

8. In December 2017, the Company's board of directors approved a grant of unlisted options exercisable into 460,000 and 240,000 of the Company's ordinary shares to the Company's employees and directors, respectively, for an exercise price of NIS 2.513 and NIS 2.926 per share, respectively (USD 0.72 and USD 0.84 per share, respectively, based on the exchange rate reported by the Bank of Israel on December 31, 2017). The options vest on a quarterly basis for a period of 48 months from the grant date.

c. Movement during the year:

The following table lists the number of share options, their weighted average exercise prices and modification in option plans of employees, directors and consultants for the periods indicated:

	Shares subject to options outstanding					
	2017		2016		2015	
	Number	Weighted average exercise price USD	Number	Weighted average exercise price USD	Number	Weighted average exercise price USD
Outstanding at beginning of year	737,028	2.63	798,579	3.14	592,707	3.94
Grants	970,000	0.75	180,000	1.15	240,000	1.11
Forfeited/expired	(216,605)	4.26	(241,551)	3.32	(34,128)	2.82
Outstanding at end of year	1,490,423	1.35	737,028	2.63	798,579	3.14
Exercisable at end of year	451,266	2.41	402,500	3.87	557,749	4.00

d. The weighted average remaining contractual life for the shares subject to options outstanding as of December 31, 2017, 2016 and 2015 was 8.38 years, 5.86 years and 4.67 years, respectively.

In thousands (except for share and per share data)

NOTE 12:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

e. The range of exercise prices for shares subject to options outstanding as of December 31, 2017, 2016 and 2015 was between USD 0.72 and USD 5.95.

f. The fair value of the Company's share options granted for the years ended December 31, 2016 and 2017 was estimated using the binomial option pricing model using the following assumptions:

Description	December 31, 2017	December 31, 2016
Risk-free interest rate	1.89%-2.31%	2.01%-2.02%
Expected volatility	74.4%-77.64%	77.84%-78.22%
Dividend yield	0	0
Contractual life	10	10
Early Exercise Multiple (Suboptimal Factor)	2.5	2.5
Exercise price	0.72-0.98	1.12-1.39

NOTE 13:- RESEARCH AND DEVELOPMENT EXPENSES

	Year ended December 31,		
	2017	2016	2015
	USD		
Clinical and preclinical trials	$ 3,809	$ 5,104	$ 2,814
Salary and related expenses	888	664	663
Patents	234	198	216
Royalties	11	11	61
Laboratory materials	63	38	49
Rent	51	48	47
Depreciation	3	4	4
Others	47	48	50
	$ 5,106	$ 6,115	$ 3,904

NOTE 14:- GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
	2017	2016	2015
	USD		
Professional services	$ 1,132	$ 1,022	$ 1,133
Investors and public relations	338	511	421
Salary and related expenses	611	413	455
Directors' fee	198	212	173
Rent	34	32	31
Travel	112	196	210
Insurance	214	142	120
Stock exchange fees	62	57	57
Office and computer maintenance	81	68	65
Vehicle maintenance	14	14	13
Depreciation	16	14	12
Others	56	52	45
	$ 2,868	$ 2,733	$ 2,735

In thousands (except for share and per share data)

NOTE 15:- FINANCE INCOME

	Year ended December 31,		
	2017	2016	2015
	USD		
Finance expenses:			
Bank commissions	$ 28	$ 27	$ 20
Net change in fair value warrants exercisable into shares			113
Financial expenses from defined benefit plans	-	12	-
Net loss from exchange rate fluctuations	588	16	-
Other loss from long-term investment revaluation	5	-	-
	621	55	133
Finance income:			
Interest income on bank deposits	(69)	(89)	(22)
Net gain from exchange rate fluctuations	-	-	(84)
Net change in fair value warrants exercisable into shares	(564)	(285)	-
	$ (633)	$ (374)	$ (106)

NOTE 16:- LOSS PER SHARE

a. Details of the number of shares and loss used in the computation of loss per share:

	Year ended December 31,					
	2017		2016		2015	
	Weighted number of shares	Loss	Weighted number of shares	Loss	Weighted number of shares	Loss
		USD		USD		USD
Number of shares and loss used in the computation of basic and diluted loss per share	32,525	6,339	26,693	8,257	22,953	6,243

b. To compute diluted loss per share for the year ended December 31, 2017, the total number of 1,921,743 shares subject to outstanding unlisted options have not been taken into account since they have anti-dilutive effect.

NOTE 17:- TAXES ON INCOME

a. Corporate tax rates:

Israeli taxation:

Corporate tax rate in Israel in 2017 was 24% and in 2016 - 25% .

On January 4, 2016, the Israeli Parliament's Plenum approved by a second and third reading the Bill for Amending the Income Tax Ordinance (No. 217) (Reduction of Corporate Tax Rate), 2015, which consists of the reduction of the corporate tax rate from 26.5% to 25%.

In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which reduces the corporate income tax rate to 24% (instead of 25%) effective from January 1, 2017 and to 23% effective from January 1, 2018.

The Company estimates that the effect of the change in tax rates will have no impact on the financial statements.

b. Final tax assessments:

The Company received final tax assessments through 2013.

The related company, Eye-Fite, tax assessment through 2012 is considered as final.

c. Net operating carryforward losses for tax purposes and other temporary differences:

As of December 31, 2017 the Company and Eye-Fite had carryforward losses amounting to approximately USD 100,144 and USD 3,577.

d. Deferred taxes:

The Company did not recognize deferred tax assets for carryforward losses and other temporary differences because their utilization in the foreseeable future is not probable.

NOTE 18:- TRANSACTIONS WITH RELATED PARTIES

a. The related parties of the Company are associates, subsidiaries, directors and key management personnel of the Group, and a close member of the family of any of the persons mentioned above.

b. The Chairman of the Company's board of directors is a senior partner in the patent firm which represents the Company in intellectual property and commercial matters (the "Service Provider"). The Service Provider charges the Company for services it renders on an hourly basis.

In thousands (except for share and per share data)

NOTE 18:- TRANSACTIONS WITH RELATED PARTIES (Cont.)

c. Composition of balances with related parties for the year ended December 31, 2017, and each of the three years then ended:

	Year ended December 31,		
	2017	2016	2015
	USD		
Management and consulting fees (including bonuses) (1)	$ 505	$ 322	$ 290
Other expenses and share-based payment (1)	$ 79	$ 158	$ 65
Patent expenses	$ 234	$ 198	$ 207
Directors' fee and share-based payment (2)	$ 171	$ 134	$ 148
(1) Number of related parties	$ 1	$ 1	$ 1
(2) Number of directors	$ 5	$ 5	$ 5

d. Eye-Fite License agreement and Services Agreement:

A license agreement was entered into between the Company and Eye-Fite (the "Eye-Fite License Agreement") according to which the Company granted Eye-Fite a non-transferrable exclusive license for the use of the Company's know-how solely in the field of ophthalmic diseases for research, development, commercialization and marketing throughout the world.

In addition to the Eye-Fite License Agreement, the Company, OpthhaliX and Eye-Fite entered into a services agreement (the "Services Agreement") pursuant to which the Company provided management services with respect to all pre-clinical and clinical research studies, production and supply of the compounds related to the Eye-Fite License Agreement and payment for consultants that are listed in the agreement for their involvement in the clinical trials and in all the activities leading up to, and including, the commercialization of CF101 for ophthalmic indications.. The Company granted Eye-Fite an exclusive license to use these inventions in the field of ophthalmic diseases around the world at no consideration. The Eye-Fite License and Service Agreement was terminated during 2017 in connection with the Merger , please refer to note 1.b.

NOTE 19:- SUBSEQUENT EVENTS

a. On January 8, 2018, the Company entered into a Distribution and Supply Agreement with Gebro Holding GmBH ("Gebro"), granting Gebro the exclusive right to distribute Piclidenoson in Spain, Switzerland, Liechtenstein and Austria for the treatment of psoriasis and rheumatoid arthritis. Under the Distribution and Supply Agreement, the Company is entitled to €1,500 upon execution of the agreement plus milestone payments upon achieving certain clinical, launch and sales milestones, as follows: (i) €300 upon initiation of the ACRobat Phase III clinical trial for the treatment of rheumatoid arthritis and €300 upon the initiation of the COMFORT Phase III clinical trial for the treatment of psoriasis, (ii) between €750 and €1,600 following first delivery of commercial launch quantities of Piclidenson for either the treatment of rheumatoid arthritis or psoriasis, and (iii) between €300 and up to €4,025 upon meeting certain net sales. In addition, following regulatory approval, the Company shall be entitled to future royalties on net sales of Piclidenoson in the territories and payment for the manufacturing Piclidenoson. On January 25, 2018 the Company received a first payment of approximately USD 2,200 from Gebro.

b. On March 13, 2018, the Company completed a registered direct offering with certain institutional investors, pursuant to which it sold an aggregate 3,333,336 ADSs representing 6,666,672 of its ordinary shares and warrants to purchase 2,500,002 ADSs representing 5,000,004 of its ordinary shares for an aggregate purchase price of USD 5,000 (the "March 2018 Financing"). The warrants may be exercised after 6 months from the date of issuance for a period of five and a half years and have an exercise price of USD 2.00 per ADS (subject to certain adjustments). The Company also issued placement agent warrants to purchase 166,667 ADSs representing 333,334 ordinary shares exercisable at USD 2.00 per ADS, subject to certain adjustments, for a period of five years.

c. On March 9, 2018, 982,344 and 98,234 warrants issued as part of the March 2014 financing expired.

d. On August 6, 2018, the Company entered into a License, Collaboration and Distribution Agreement with CMS Medical Venture Investment Limited ("CMS Medical") for the commercialization of Piclidenoson for the treatment of rheumatoid arthritis and psoriasis and Namodenoson for the treatment of advanced liver cancer and NAFLD/NASH in China (including Hong Kong, Macao and Taiwan). Under the License, Collaboration and Distribution Agreement, the Company is entitled to USD 2,000 upon execution of the agreement plus milestone payments upon achieving certain regulatory and sales milestones. In addition, following regulatory approval, the Company shall be entitled to future double digit royalties on net sales in the territories and payment for the manufacturing Piclidenoson and Namodenoson. On August 7, 2018, the Company received an upfront payment of USD 2,000 from CMS Medical.

CAN-FITE BIOPHARMA LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	June 30, 2018 Unaudited	December 31, 2017 Audited
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,840	$ 3,505
Other receivable and prepaid expenses	3,286	3,159
Total current assets	9,126	6,664
NON-CURRENT ASSETS:		
Lease deposits	5	5
long-term investment	1,829	917
Property, plant and equipment, net	24	28
Total long-term assets	1,858	950
Total assets	$ 10,984	$ 7,614

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

CAN-FITE BIOPHARMA LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	June 30, 2018 Unaudited	December 31, 2017 Audited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 668	$ 427
Deferred revenues	792	330
Other accounts payable	697	997
Total current liabilities	2,157	1,754
NON-CURRENT LIABILITIES:		
Deferred revenues	2,317	846
Total long-term liabilities	2,317	846
CONTINGENT LIABILITIES AND COMMITMENTS		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:		
Share capital	2,633	2,123
Share premium	81,646	81,104
Capital reserve from share-based payment transactions	5,713	5,547
Warrants exercisable into shares	12,408	8,815
Accumulated other comprehensive income	1,127	1,127
Accumulated deficit	(97,017)	(93,702)
Total equity	6,510	5,014
Total liabilities and equity	$ 10,984	$ 7,614

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

CAN-FITE BIOPHARMA LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

	Six months ended June 30,	
	2018	2017
	Unaudited	
Revenues	$ 902	$ 136
Research and development expenses	2,638	2,436
General and administrative expenses	1,819	1,373
Operating loss	3,555	3,673
Finance expenses	346	305
Finance income	(936)	(463)
Total Financial income, net	(590)	(158)
Loss	2,965	3,515
Other comprehensive loss:		
Amounts that will not be reclassified subsequently to profit or loss:		
Adjustment arising from translating financial statements from functional currency to presentation currency	-	(420)
Total other comprehensive loss	$ 2,965	$ 3,095
Loss attributable to:		
Equity holders of the Company	2,965	3,462
Non-controlling interests	-	53
	$ 2,965	$ 3,515
Total comprehensive loss attributable to:		
Equity holders of the Company	2,965	3,042
Non-controlling interests	-	53
	$ 2,965	$ 3,095
Loss per share attributable to equity holders of the Company :		
Basic and diluted loss per share	(0.08)	(0.1)

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

CAN-FITE BIOPHARMA LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

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

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve from share-based payment transactions	Warrants exercisable into shares	Treasury shares	Accumulated other comprehensive income (loss)	Accumulated deficit	Total	Non-controlling interests	Total equity
Balance as of January 1, 2018	$ 2,123	$ 81,104	$ 5,547	$ 8,815	$ -	$ 1,127	$ (93,702)	$ 5,014	$ -	$ 5,014
Loss	-	-	-	-	-	-	(2,965)	(2,965)	-	(2,965)
Cumulative effect as a result of the initial adoption of IFRS 15 as of January 1, 2018 – See Note 2	-	-	-	-	-	-	(350)	(350)	-	(350)
Issuance of share capital and warrants, net of issuance expenses of USD 613	482	312	-	3,593	-	-	-	4,387	-	4,387
Issuance of share capital	28	230	-	-	-	-	-	258	-	258
Share-based payment	-	-	166	-	-	-	-	166	-	166
Balance as of June 30, 2018	$ 2,633	$ 81,646	$ 5,713	$ 12,408	$ -	$ 1,127	$ (97,017)	$ 6,510	$ -	$ 6,510
Balance as of January 1, 2017	1,783	79,864	5,167	6,947	(970)	491	(87,363)	5,919	42	5,961
Loss	-	-	-	-	-		(3,462)	(3,462)	(53)	(3,515)
Adjustment arising from translating financial statements from functional currency to presentation currency	-	-	-	-	-	420	-	420	-	420
Issuance of share capital and warrants, net of issuance expenses of USD 811	330	1,993	188	1,868	-		-	4,379	-	4,379
Share-based payment	-	-	95	-	-		-	95	-	95
Balance as of June 30, 2017	$ 2,113	$ 81,857	$ 5,450	$ 8,815	$ (970)	$ 911	$ (90,825)	$ 7,351	$ (11)	$ 7,340

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

CAN-FITE BIOPHARMA LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Six months ended June 30,	
	2018	**2017**
	Unaudited	
Cash flows from operating activities:		
Loss	$ (2,965)	(3,515)
Adjustments to reconcile loss to net cash used:		
Depreciation of property, plant and equipment	7	12
Share-based payment	424	95
Change in fair value of long-term investment	(912)	-
Changes in fair value of warrants liability exercisable into shares	-	(395)
Exchange differences on balances of cash and cash equivalents	(78)	(90)
	(559)	(378)
Working capital adjustments:		
Increase in accounts receivable and prepaid expenses and lease deposit	(127)	(1,126)
Increase (decrease) in trade payables	242	(530)
Increase (decrease) in deferred revenues	1,583	(136)
Decrease in other accounts payable	(300)	(32)
	1,398	(1,824)
Net cash used in operating activities	$ (2,126)	(5,717)

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

CAN-FITE BIOPHARMA LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Six months ended June 30,	
	2018	**2017**
	Unaudited	
Cash flows from investing activities:		
Purchase of property, plant and equipment	(4)	(7)
Net cash used in investing activities	$ (4)	(7)
Cash flows from financing activities:		
Issuance of share capital and warrants, net of issuance expenses	4,387	4,379
Net cash provided by financing activities	$ 4,387	4,379
Exchange differences on balances of cash and cash equivalents	78	90
Increase in cash and cash equivalents	2,335	(1,255)
Cash and cash equivalents at the beginning of the period	3,505	8,115
Cash and cash equivalents at the end of the period	$ 5,840	6,860
Supplemental disclosure of cash flow information:		
Cash received during the year for interest, net	15	21

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

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

NOTE 1:- GENERAL

a. These financial statements have been prepared in a condensed format as of June 30, 2018 and for the six months then ended. These financial statements should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2017 and for the year then ended and accompanying.

b. Definitions:

In these consolidated financial statements:

The Company	-	Can-Fite Biopharma Ltd.
The Group	-	The Company and its subsidiary (as defined below)
Subsidiaries	-	Companies that are controlled by the Company (as defined in IAS 27 (2008)) and whose accounts are consolidated with those of the Company
Wize Pharma, Inc.	-	Wize Pharma, Inc. (formerly OphthaliX Inc.)
Eye-Fite	-	Eye-Fite Ltd (Can-Fite's wholly owned subsidiary)
Related parties	-	As defined in IAS 24
USD	-	U.S. dollar
€	-	European Union Euro
CAD	-	Canadian dollar
ADS	-	American Depositary Share ("ADS"). Each ADS represents 2 ordinary shares of the Company

c. In the six months ended June 30, 2018, the Company incurred losses of USD 2,965 and it had accumulated losses of USD 97,017.

The Company has not yet generated any material revenues from sales of its own developed products and has financed its activities by raising capital and by collaborating with multinational companies in the industry.

The Company has other alternative plans for financing its ongoing activities. There are no assurances that the Company will be successful in obtaining an adequate level of financing needed for its long-term research and development activities. If the Company will not have sufficient liquidity resources, the Company may not be able to continue the development of all of its products or may be required to delay part of its development programs. The Company's management and board of directors are of the opinion that these financial resources will be sufficient to continue the development of the Company's product candidates at least for twelve months from the balance sheet date.

On January 8, 2018, the Company entered into a Distribution and Supply Agreement with Gebro Holding GmBH ("Gebro"), granting Gebro the exclusive right to distribute Piclidenoson in Spain, Switzerland, Liechtenstein and Austria for the treatment of psoriasis and rheumatoid arthritis.

NOTE 1:- GENERAL (CONT.)

Under the Distribution and Supply Agreement, the Company is entitled to €1.5 million upon execution of the agreement plus milestone payments upon achieving certain clinical, launch and sales milestones, as follows: (i) €300 thousand upon initiation of the ACRobat Phase III clinical trial for the treatment of rheumatoid arthritis and €300 thousand upon the initiation of the COMFORT Phase III clinical trial for the treatment of psoriasis, (ii) between €750 thousand and €1,600 thousand following first delivery of commercial launch quantities of Piclidenson for either the treatment of rheumatoid arthritis or psoriasis, and (iii) between €300 thousand and up to €4,025 thousand upon meeting certain net sales. In addition, following regulatory approval, the Company shall be entitled to future royalties on net sales of Piclidenoson in the territories and payment for the manufacturing Piclidenoson. On January 25, 2018 the Company received a first payment of approximately USD 2,200 from Gebro.

In October 2016, the Company signed a distribution agreement with Chong Kun Dang Pharmaceuticals Corp. ("CKD") for future sales in South Korea. Under the terms of the agreement, CKD made an upfront payment of USD 500 to the Company in December 2016.

In March 2015, the Company received a net total of USD 1,292 (CAD 1,650 thousands) advance payment according to an agreement with a Canadian company for future sales in Canada.

d. On March 13, 2018, the Company completed a registered direct offering with certain institutional investors, pursuant to which it sold an aggregate 3,333,336 ADSs representing 6,666,672 of its ordinary shares and warrants to purchase 2,500,002 ADSs representing 5,000,004 of its ordinary shares for an aggregate purchase price of USD 5,000. The warrants may be exercised after 6 months from the date of issuance for a period of five and a half years and have an exercise price of USD 2.00 per ADS (subject to certain adjustments). The Company also issued placement agent warrants to purchase 166,667 ADSs representing 333,334 ordinary shares exercisable at USD 2.00 per ADS, subject to certain adjustments, for a period of five years.

e. On March 9, 2018, 982,344 and 98,234 warrants as part of a March 2014 financing grant expired.

f. In May 2018, the Company agreed to issue 200,000 ADSs representing 400,000 ordinary shares to one of its service providers for its services.

g. From the Company's inception through January 1, 2018, the Company's functional and presentation currency was the NIS. Management conducted a review of the functional currency of the Company and decided to change its functional and presentation currency to the USD from the NIS effective January 1, 2018. These changes were based on an assessment by Company management that the USD is the primary currency of the economic environment in which the Company operates.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

In determining the appropriate functional currency to be used, the Company followed the guidance in International Accounting Standard 21 - The Effects of Changes in Foreign Exchange Rates ("IAS 21"), which states that factors relating to sales, costs and expenses, financing activities and cash flows, as well as other potential factors, should be considered. In this regard, the Company is incurring and expects to continue to incur a majority of its expenses in USD as a result of its expanded clinical trials including Phase 3 trials. These changes, as well as the fact that the majority of the Company's available funds are in USD, the Company's principal source of financing is the U.S. capital market, and all of the Company's budgeting is conducted solely in U.S. dollars, led to the decision to make the change in functional currency as of January 1, 2018, as indicated above.

At the date of change of functional currency, the Company also changed the presentation currency of these financial statements to the USD. This change was retrospectively implemented. In accordance with IAS 21, since the Company's presentation currency was different than its functional currency, results and financial position were translated using the following principles: (i) all assets and liabilities were translated using the current exchange rates, (ii) equity accounts were translated using the historical rates, and (iii) income and expenses for each statement of comprehensive income or separate income statement presented were translated at exchange rates at the dates of the transactions.

The Company also implements the guidance in IAS 21 regarding translating foreign currency financial statements of consolidated subsidiaries.

Basis of presentation of the financial statements

The interim condensed consolidated financial statements for the six months period ended June 30, 2018 have been prepared in accordance with IAS 34, "Interim Financial Reporting".

Implementation of new accounting standards

The accounting policy applied in the preparation of the interim consolidated financial statements is consistent with that applied in the preparation of the annual consolidated financial statements, except for the following:

IFRS 15 – Revenues from contracts with customers:

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are within the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers.

Step 1: Identify the contract with a customer, including reference to contract combination and accounting for contract modifications.

Step 2: Identify the separate performance obligations in the contract.

Step 3: Determine the transaction price, including reference to variable consideration, financing components that are significant to the contract, non-cash consideration and any consideration payable to the customer.

Step 4: Allocate the transaction price to the separate performance obligations on a relative stand-alone selling price basis using observable information, if it is available, or using estimates and assessments.

Step 5: Recognize revenue when a performance obligation is satisfied, either at a point in time or over time.

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The Company adopted IFRS 15 using the modified retrospective method of adoption and elected to apply that method to all contracts that were not completed at the date of initial application. The table below shows the impact of IFRS 15 as of January 1, 2018, as of June 30, 2018 and for the six months then ended:

	As of January 1, 2018		
	As reported (IFRS 15)	Adjustments	IAS 18 (excluding impact of IFRS 15)
Current liabilities			
Deferred revenues	$ 280	$ 50	$ 330
Non - current liabilities			
Deferred revenues	$ 1,246	$ (400)	$ 846
Equity attributable to equity holders of the Company			
Accumulated deficit	$ (94,052)	$ (350)	$ (93,702)

	As of June 30, 2018		
	As reported (IFRS 15)	Adjustments	IAS 18 (excluding impact of IFRS 15)
Current liabilities			
Deferred revenues	$ 792	$ 108	$ 900
Non - current liabilities			
Deferred revenues	$ 2,317	$ (637)	$ 1,680
Equity attributable to equity holders of the Company			
Accumulated deficit	$ (94,052)	$ (350)	$ (93,702)

	Six months ended June 30, 2018 (Unaudited)		
	As reported (IFRS 15)	Adjustments	IAS 18 (excluding impact of IFRS 15)
Revenues	$ 902	$ (82)	$ 820
Operating expenses	4,457	-	4,457
Operating loss	(3,555)	(82)	(3,637)
Financial income, net	590	223	813
Loss	$ (2,965)	$ 141	$ (2,824)
Basic and diluted net loss per share	$ 0.08	$ -	$ 0.08

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

In implementing IFRS 15, the Company considered the following:

(1) Variable consideration:

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Company recognizes revenue from achieving milestones, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Company defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, which will be required to be estimated at contract inception.

IFRS 15 requires that the variable consideration be estimated conservatively to prevent over-recognition of revenue.

The Company continues to assess individual contracts to determine the estimated variable consideration and related constraint. There is no impact of IFRS 15 on the financial statements.

(2) Significant financing component:

The Company receives long-term advances. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Company and its advances at contract inception, to take into consideration the significant financing component.

(3) Satisfaction of performance obligations:

Revenue from contracts with strategic partners are recognized over time as the Company satisfies the performance obligations. The Company usually accepts long-term upfront payment from its strategic partners. Contract liabilities for those upfront payments and recognizes as revenue over time.

IFRS 9 - Financial Instruments:

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company adopted IFRS 9 using the modified retrospective method of adoption. There is no material impact from the adoption of IFRS 9 on the financial statements of the Company.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Under IFRS 9, the classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The following is the relevant accounting policy of financial instruments of the Company:

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Under IFRS 9, financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss ("FVPL"), irrespective of the business model. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The Company measures financial assets at amortized cost if both of the following conditions are met: (i) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and, (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. For other debt financial assets (i.e., debt securities at fair value through other comprehensive income), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date.

IFRS 16, "Leases":

IFRS 16 was issued in January 2016, and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

Under IFRS 16, at the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

IFRS 16 is effective for annual periods beginning on or after 1 January, 2019. Early application is permitted. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Company has completed an initial assessment of the potential impact on its consolidated financial but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Company's borrowing rate at 1 January, 2019 and the composition of the Company's lease portfolio at that date.

In addition, the nature of expenses related to operating leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

NOTE 3:- SUBSEQUENT EVENTS

On August 6, 2018, the Company entered into a License, Collaboration and Distribution Agreement with CMS Medical Venture Investment Limited ("CMS Medical") for the commercialization of Piclidenoson for the treatment of rheumatoid arthritis and psoriasis and Namodenoson for the treatment of advanced liver cancer and NAFLD/NASH in China (including Hong Kong, Macao and Taiwan). Under the License, Collaboration and Distribution Agreement, the Company is entitled to USD 2,000 upon execution of the agreement plus milestone payments upon achieving certain regulatory and sales milestones. In addition, following regulatory approval, the Company shall be entitled to future double digit royalties on net sales in the territories and payment for the manufacturing Piclidenoson and Namodenoson.

On August 7, 2018, the Company received an upfront payment of USD 2,000 from CMS Medical.

February , 2019

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 6. Indemnification of Directors, Officers and Employees

An Israeli company may indemnify an office holder in respect of certain liabilities either in advance of an event or following an event provided that a provision authorizing such indemnification is inserted in its articles of association. Our Articles of Association contain such a provision. An undertaking provided in advance by an Israeli company to indemnify an office holder with respect to a financial liability imposed on him or her in favor of another person pursuant to a judgment, settlement or arbitrator's award approved by a court must be limited to events which in the opinion of the board of directors can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or a criteria determined by the board of directors as reasonable under the circumstances, and such undertaking must detail the abovementioned events and amount or criteria.

In addition, a company may indemnify an office holder against the following liabilities incurred for acts performed as an office holder:

- reasonable litigation expenses, including attorneys' fees, incurred by the office holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding; and (ii) no financial liability, such as a criminal penalty, was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; and

- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf or by a third party or in connection with criminal proceedings in which the office holder was acquitted or as a result of a conviction for a crime that does not require proof of criminal intent.

- a financial liability imposed on the office holder in favor of another person pursuant to a judgment, including a compromise judgment or arbitrator judgment approved by a court.

An Israeli company may insure a director or officer against the following liabilities incurred for acts performed as a director or officer:

- a breach of duty of care to the company or to a third party, including a breach arising out of the negligent conduct of an office holder;

- a breach of duty of loyalty to the company, provided the director or officer or office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the interests of the company; and

- financial liabilities imposed on the office holder for the benefit of a third party.

An Israeli company may not indemnify or insure an office holder against any of the following:

- a breach of duty of loyalty, except to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;

- a breach of duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;

- an act or omission committed with intent to derive illegal personal benefit; or

- a fine, civil fine, monetary sanction or random levied against the office holder.

Under the Israeli Companies Law, indemnification and insurance of office holders must be approved by our audit committee and our board of directors and, in respect of our directors, by our shareholders. Our directors and officers are currently covered by a directors and officers' liability insurance policy with respect to specified claims. To date, no claims for liability have been filed under this policy. In addition, we have entered into indemnification agreements with each of our directors and officers and the directors and officers of our subsidiaries providing them with indemnification for liabilities or expenses incurred as a result of acts performed by them in their capacity as our, or our subsidiaries' directors and officers. This indemnification is limited both in terms of amount and coverage. In the opinion of the SEC, however, indemnification of directors and office holders for liabilities arising under the Securities Act is against public policy and therefore unenforceable.

Item 7. Recent Sales of Unregistered Securities

Set forth below are the sales of all unregistered securities of ours sold by us within the past three years (i.e., since February 1, 2016, up to the date of this registration statement) which were not registered under the Securities Act:

On May 26, 2016, we granted to a service provider options to purchase up to 20,000 ordinary shares at an exercise price of NIS 5.376 per share. The options vest quarterly over four years and have a term of ten years.

On January 24, 2017, we sold to certain institutional investors an aggregate of 2,500,000 ADSs in a registered direct offering at $2.00 per ADS resulting in gross proceeds of approximately $5,000,000. In addition, we issued to the investors unregistered warrants to purchase 1,250,000 ADSs in a private placement. The warrants may be exercised after six months from issuance for a period of five and a half years from issuance and have an exercise price of $2.25 per ADS, subject to adjustment as set forth therein. The warrants may be exercised on a cashless basis if six months after issuance there is no effective registration statement registering the ADSs underlying the warrants. We paid an aggregate of $360,000 in placement agent fees and expenses and issued unregistered placement agent warrants to purchase 125,000 ADS on the same terms as the warrants except they have a term of five years.

In December 2017, we issued 69,445 ADSs representing 138,890 of our ordinary shares to one of our service providers for its services.

On March 13, 2018, we sold to certain institutional investors providing for the issuance of an aggregate of 3,333,336 ADSs in a registered direct offering at $1.50 per ADS resulting in gross proceeds of approximately $5,000,000. In addition, we issued to the investors unregistered warrants to purchase 2,500,002 ADSs in a private placement. The warrants may be exercised after six months from issuance for a period of five and a half years from issuance and have an exercise price of $2.00 per ADS, subject to adjustment as set forth therein. The warrants may be exercised on a cashless basis if six months after issuance there is no effective registration statement registering the ADSs underlying the warrants. We paid an aggregate of $350,000 in placement agent fees and expenses and issued unregistered placement agent warrants to purchase 166,667 ADS on the same terms as the warrants except they have a term of five years.

In May 2018, we agreed to issue 200,000 ADSs representing 400,000 of our ordinary shares to one of our service providers for its services.

On January 18, 2019, we sold to a certain institutional investor an aggregate 2,238,096 ADSs in a registered direct offering at $1.05 per ADS, resulting in gross proceeds of $2,350,000. In addition, we issued to the investor unregistered warrants to purchase 2,238,096 ADSs in a private placement. The warrants are immediately exercisable from the date of issuance for a period of five and a half years and have an exercise price of $1.30 per ADS, subject to adjustment as set forth therein. The warrants may be exercised on a cashless basis if six months after issuance there is no effective registration statement registering the ADSs underlying the warrants. We paid an aggregate of $191,000 in placement agent fees and expenses and issued unregistered placement agent warrants to purchase 111,905 ADS on the same terms as the warrants except they have a term of five years.

The privately placed securities above were offered and sold pursuant to an exemption from the registration requirements under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder since, among other things, the transactions did not involve a public offering and the securities were acquired for investment purposes only and not with a view to or for sale in connection with any distribution thereof.

Item 8. Exhibits and Financial Statement Schedules

(a) ***Exhibits***

See Exhibit Index.

The agreements included as exhibits to this registration statement contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (i) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) may have been qualified in such agreement by disclosures that were made to the other party in connection with the negotiation of the applicable agreement; (iii) may apply contract standards of "materiality" that are different from "materiality" under the applicable securities laws; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

The Registrant acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, the registrant is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this registration statement not misleading.

(b) ***Financial Statement Schedules***

All schedules have been omitted because either they are not required, are not applicable or the information is otherwise set forth in the consolidated financial statements and related notes thereto.

Item 9. Undertakings

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

i. To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

ii. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post- effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

iii. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and this offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) To file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A. of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Act need not be furnished, provided that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (a)(4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, with respect to registration statements on Form F-3, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Act or Rule 3-19 of this chapter if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Form F-3.

(5) That for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(6) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 6 hereof, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Petach Tikva, State of Israel on this 15th day of February 2019.

CAN-FITE BIOPHARMA LTD.

By: /s/ Pnina Fishman, Ph.D.
Pnina Fishman, Ph.D.
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTED, that each director and officer of CAN-FITE BIOPHARMA LTD. whose signature appears below hereby appoints Pnina Fishman, Ph.D. and Motti Farbstein, and each of them severally, acting alone and without the other, his/her true and lawful attorney-in-fact with full power of substitution or re-substitution, for such person and in such person's name, place and stead, in any and all capacities, to sign on such person's behalf, individually and in each capacity stated below, any and all amendments, including post-effective -amendments to this Registration Statement, and to sign any and all additional registration statements relating to the same offering of securities of the Registration Statement that are filed pursuant to Rule 462(b) of the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the dates indicated:

Name	Title	Date
/s/ Pnina Fishman Pnina Fishman, Ph.D.	Chief Executive Officer and Director (principal executive officer)	February 15, 2019
/s/ Motti Farbstein Motti Farbstein	Chief Operating and Financial Officer (principal financial officer and principal accounting officer)	February 15, 2019
/s/ Ilan Cohen, Ph.D. Ilan Cohen, Ph.D.	Chairman of the Board	February 15, 2019
/s/ Guy Regev Guy Regev	Director	February 15, 2019
/s/ Abraham Sartani Abraham Sartani	Director	February 15, 2019
/s/ Israel Shamay Israel Shamay	Director	February 15, 2019
/s/ Yaacov Goldman Yaacov Goldman	Director	February 15, 2019

SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the Securities Act of 1933, as amended, the undersigned, the duly authorized representative in the United States of Can-Fite BioPharma Ltd., has signed this registration statement on February 15, 2019.

Puglisi & Associates

By: /s/ Donald J. Puglisi
Name: Donald J. Puglisi
Title: Authorized Representative

EXHIBIT INDEX

Index to Exhibits

Exhibit No.	Description
1.1	Amended and Restated Articles of Association of Can-Fite BioPharma Ltd*
2.1	Form of Amended and Restated Deposit Agreement, by and among Can-Fite BioPharma Ltd., The Bank of New York Mellon and the Owners and Holders of American Depositary Shares, dated September 11, 2013 (1)
4.1	Employment and Non-Competition Agreement with Motti Farbstein, dated June 10, 2003 (2)
4.2	Consulting Agreement with BioStrategics Consulting, Ltd, dated September 27, 2005 (2)
4.3	Service Management Agreement with F.D. Consulting International and Marketing Ltd., dated June 27, 2002 (2)
4.4	Master Services Agreement with Accellient Partners, dated May 10, 2010 (2)
4.5	License Agreement, by and between The University of Leiden and Can-Fite BioPharma Ltd., dated November 2, 2009 (2)
4.6	License Agreement, by and between Kwang Dong Pharmaceutical Co., Ltd. and Can-Fite BioPharma Ltd., dated December 14, 2008 (2)
4.7	Can-Fite BioPharma Ltd. 2003 Israeli Share Option Plan (2)
4.7	Can-Fite BioPharma Ltd. 2013 Israeli Share Option Plan (3)
4.8	Form of Securities Purchase Agreement dated as of March 10, 2014 between Can-Fite BioPharma Ltd. and the investors listed therein (4)
4.10	Form of Warrant dated March 10, 2014 issued by Can-Fite BioPharma Ltd. (4)
4.11	Form of Registration Rights Agreement dated as of March 10, 2014 between Can-Fite BioPharma Ltd. and the investors listed therein (4)
4.12	Form of Placement Agent Warrant dated March 10, 2014 issued by Can-Fite BioPharma Ltd. to Roth Capital Partners, LLC(4)

4.13	Form of Securities Purchase Agreement dated as of December 2, 2014 between Can-Fite BioPharma Ltd. and the investors listed therein (5)
4.14	Form of Warrant issued by Can-Fite BioPharma Ltd. on December 8, 2014 (5)
4.15	Letter Agreement between H.C. Wainwright & Co., LLC and Can-Fite BioPharma Ltd. dated December 2, 2014 (5)
4.16	Distribution and Supply Agreement between Can-Fite BioPharma Ltd. and Cipher Pharmaceuticals Inc. dated as of March 20, 2015 (3)†
4.17	Form of Securities Purchase Agreement dated as of September 19, 2015 between Can-Fite BioPharma Ltd. and the investors listed therein (6)
4.18	Form of Warrant issued by Can-Fite BioPharma Ltd. on September 21, 2015 (6)
4.19	Letter Agreement between H.C. Wainwright & Co., LLC and Can-Fite BioPharma Ltd. dated September 18, 2015 (6)
4.20	Form of Securities Purchase Agreement dated as of October 13, 2015 between Can-Fite BioPharma Ltd. and the investors listed therein (7)
4.21	Form of Warrant issued by Can-Fite BioPharma Ltd. on October 15, 2015 (7)
4.22	Letter Agreement between H.C. Wainwright & Co., LLC and Can-Fite BioPharma Ltd. dated October 13, 2015 (7)
4.23	Distribution Agreement between Can-Fite BioPharma Ltd. and Chong Kun Dang Pharmaceutical Corp. dated as of October 25, 2016 (9)†
4.24	Form of Securities Purchase Agreement dated as of January 18, 2017 between Can-Fite BioPharma Ltd. and the investors listed therein (8)
4.25	Form of Warrant issued by Can-Fite BioPharma Ltd. on January 18, 2017 (8)
4.26	Letter Agreement between H.C. Wainwright & Co., LLC and Can-Fite BioPharma Ltd. dated January 18, 2017 (8)
4.27	Agreement and Plan of Merger, dated as of May 21, 2017, by and between OphthaliX, Inc., Bufiduck Ltd., and Wize Pharma Ltd. (10)
4.28	Voting and Undertaking Agreement, dated as of May 21, 2017, by and between OphthaliX, Inc., Wize Pharma Ltd., and Can-Fite BioPharma Ltd. (10)
4.29	Form of Stock Purchase Agreement (10)
4.30	Form of Termination of License Agreement (10)
4.31	Form of Termination of Services Agreement (10)
4.32	Form of Securities Purchase Agreement dated as of March 9, 2018 between Can-Fite BioPharma Ltd. and the investors listed therein (11)

4.33	Form of Warrant issued by Can-Fite BioPharma Ltd. on March 13, 2018 (11)
4.34	Form of Securities Purchase Agreement dated as of January 18, 2019 between Can-Fite BioPharma Ltd. and the investor listed therein (12)
4.35	Form of Warrant issued by Can-Fite BioPharma Ltd. on January 23, 2019 (12)
4.36	Form of Placement Agent Warrant issued by Can-Fite BioPharma Ltd. on January 23, 2019*
5.1	Opinion of Doron, Tikotzky, Kantor, Gutman & Amit Gross, Israeli counsel to the Registrant*
8.1	List of Subsidiaries of Can-Fite BioPharma Ltd. (13)
23.1	Consent of Kost Forer Gabbay & Kasierer*
23.2	Consent of Doron, Tikotzky, Kantor, Gutman & Amit Gross (included in Exhibit 5.1)*
24.1	Power of Attorney (included in signature page)*
101	The following financial information for the year ended December 31, 2017 and the nine months ended September 30, 2018, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Financial Position, (ii) Consolidated Statements of Comprehensive Loss, (iii) Consolidated Statements of Changes in Equity (Deficiency) (iv) the Consolidated Statements of Cash Flows, and (iv) Notes to Consolidated Financial Statements.**

* Filed Herewith.

** To be filed by amendment.

† Certain confidential information contained in this exhibit was omitted by means of redacting a portion of the text and replacing it with [...]. This exhibit has been filed separately with the Commission without the redaction pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and Rule 406 of the Securities Act.

(1) Incorporated herein by reference to the Registration Statement on Form 8-A filed with the SEC on November 15, 2013.

(2) Incorporated herein by reference to Amendment No. 1 to the Draft Registration Statement on Form 20-F filed with the SEC on September 10, 2013.

(3) Incorporated herein by reference to Annual Report on Form 20-F filed with the SEC on March 27, 2015.

(4) Incorporated herein by reference to the Current Report on Form 6-K filed with the SEC on March 10, 2014.

(5) Incorporated herein by reference to the Current Report on Form 6-K filed with the SEC on December 4, 2014.

(6) Incorporated herein by reference to the Current Report on Form 6-K filed with the SEC on September 22, 2015.

(7) Incorporated herein by reference to the Current Report on Form 6-K filed with the SEC on October 15, 2015.

(8) Incorporated herein by reference to the Current Report on Form 6-K filed with the SEC on January 20, 2017.

(9) Incorporated herein by reference to the Annual Report on Form 20- F filed with the SEC on March 30, 2017.

(10) Incorporated herein by reference to the Current Report on Form 8-K filed by OphthaliX, Inc. with the SEC on May 22, 2017.

(11) Incorporated herein by reference to the Current Report on Form 6-K filed with the SEC on March 12, 2018.

(12) Incorporated herein by reference to the Current Report on Form 6-K filed with the SEC on January 22, 2019.

(13) Incorporated herein by reference to Annual Report on Form 20-F filed with the SEC on March 28, 2018.

Exhibit 1.1

Articles of Association
Pursuant to the Companies Law, 1999, of a Company Limited by Shares
CAN FITE BIOPHARMA LTD.

1. Interpretation

1.1. In these Articles, unless the wording demands a different interpretation, the following words and expressions shall bear the following meanings:

"**The Stock Exchange**" –	The Tel Aviv Stock Exchange Ltd.
"**The Board**" –	The Board of Directors duly elected pursuant to the provisions hereof.
"**Director**" –	A member of the Company's Board and any person who acts as a Director in actual fact, be his/her title what it may.
"**The Securities Law**" -	The Securities Law, 1968, as amended from time to time, and the regulations promulgated thereunder.
"**The Companies Law**" -	The Companies Law 1999, as amended from time to time, and the regulations promulgated thereunder.
"**The Law**" –	The Companies Law, the Securities Lawand any other legislation in effect, pertaining to companies, applicable to the Company at that time.
"**The Company**" –	The abovementioned Company.
"**The Ledger**" –	The members' ledger that must be kept pursuant to Section 127 of the Companies Law, the Material Shareholders Ledger that must be kept pursuant to Section 128 of the Companies Law, and in the event that the Company maintains an additional Ledger outside of Israel, any other Ledger, as the case may be.
"**The Office**" –	The Company's Registered Office, at any particular time.
"**Writing**" –	Printed matter, lithograph, photograph, telegram, telex, facsimile, email and any other form of imprint or formation of words in visible form.
"**Securities**" –	Including, Shares, Bonds, Capital Notes, other Certificates and Documents that bestow a right to sell, convert or sell any such.
"**The Companies Ordinance** " -	The Companies Ordinance [New Version], 1983, as periodically amended.
"**The Articles**" –	The Company's Articles of Association in its current version, or as shall be amended from time to time.

1.2. Sections 2, 3, 4, 5, 6, 7, 8, 10 of the Interpretation Law, 1981-5741, shall apply, *mutatis mutandis*, to the interpretation hereof, in the absence of any other provision relating to the subject matter, and in the absence of anything in the subject matter, or its context, that does not fit the said application.

1.3. Except as provided for herein this article, every word and expression in these Articles, shall bear the meaning ascribed to them in the Companies Law, unless such would contradict the subject matter or its contents.

1.4. Subject to this article, in these Articles – unless the wording demands a different interpretation, the phrases defined in the Companies Law, shall bear the meanings ascribed to them therein; and words put forth in the singular shall include the plural, and vice versa, and words in the masculine shall include the feminine, and words which mean individuals shall include corporations.

2. The Company Name

The Company's name is as follows:

In Hebrew: **כן-פייט ביופרמה בע"מ**

In English: **CAN FITE BIOPHARMA LTD.**

3. The Company Purposes

To carry out any lawful business

4. The Company Intent

The Company's intent is to Law pursuant to commercial considerations to maximise its profits, however, the Company is entitled to donate a reasonable sum for a worthy goal, even if the donation is otherwise than in the framework of said commercial considerations, and pursuant to the discretion of the Company Board.

5. The Authorised Share Capital

5.1. The Company's Authorised Share Capital is 125,000,000 NIS, divided into 500,000,000 ordinary shares of 0.25 NIS par value each (hereinafter: "**Ordinary Shares**").

5.2. All Ordinary Shares shall be of equal rights vis-à-vis each other for all intents and purposes, and each Ordinary Share shall bestow on its holder:

(1) The right to be invited to and participate in all the Company's General Meetings, both annual and regular, and a right to one vote on account of each Ordinary Share in his possession, at every ballot, in any General Meeting of the Company in which he participated;

(2) A right to receive Dividends, if and when such are distributed, and a right to receive Bonus Shares, if distributed;

(3) A right to participate in the distribution of the Company's assets upon liquidation.

6. Shareholder Liability

The liability of holders of Ordinary Shares shall be limited so that each Shareholder shall be liable to settle and pay exclusively the par value of his Shares. In the event that the Company allocates Shares at a discount from the par value thereof, pursuant to Section 304 of the Companies Law(hereinafter: "**Reduced Consideration**"), the liability of each Shareholder shall be limited to settlement of the sum of the Reduced Consideration on account of each Share thus allocated to him.

7. Public Company

Upon the registration of the Shares for trading on the Stock Exchange, the Company shall become a public company, and shall maintain a Ledger of Material Shareholders, as defined in the Companies Law, in addition to the Ledger.

8. Shares

8.1. Notwithstanding the previous privileges granted to shareholders of the Company , the Company is entitled to issue Shares with preferential rights or Shares with deferred rights or to issue, from the unissued Capital, Redeemable Securities, subject to Section 309a of the Companies Law, or to issue Shares with other special limited rights or upon limitations as to the distribution of Dividends, voting rights, or other matters, as the Company may from time to time decide by resolution adopted at a General Meeting by an ordinary majority of Shareholders.

8.2. If at any time the Share Capital is divided into different classes of Shares, the Company is entitled, by resolution adopted at a General Meeting by an ordinary majority of Shareholders, unless the terms and conditions of the issuance of that Class of Shares stipulates otherwise, to convert, expand, add or otherwise change the rights, privileges, advantages, limitations and provisions, related or unrelated at that time to one of the Classes, or as shall be resolved by resolution adopted at a General Meeting by an ordinary majority of Shareholders of that Class.

8.3. The special rights granted to shareholders or a Shares of different Class, including Shares with preference rights or other special rights, shall not be deemed altered in any way by the creation or issue of additional Shares of equal ranking thereto, unless the terms and conditions of the issue of those Shares stipulates otherwise.

The provisions hereof relating to General Meetings shall apply, *mutatis mutandis*, to any and every meeting of a said Class.

8.4. The Company's unissued Shares shall be under the supervision of the Board, which may allocate them, up to the limit of the Company's Authorised Share Capital, to such persons, in consideration of cash or non-cash consideration, on such terms and conditions and limitations, whether above their par value, whether at their par value and whether (subject to the provisions of the Companies Law) for consideration lower than their par value, and at such times and dates that the Board deems fit, and the Board shall have the authority to present any person with a Call on the Share for whichever such Shares, at their par value or above their par value or (subject to the provisions of the Companies Law) for consideration lower than their par value, for such times and for such consideration and terms and conditions as the Board deems fit.

8.5. Upon the allocation of Shares, the Board is entitled to differentiate as amongst Shareholders in relation to the amounts of the Call on the Share and/or times of settlement thereof.

8.6. If, according to the terms and conditions of the issuance of any Shares, payment of the consideration on account of such Shares, in whole or in part, is by instalments, then each instalment shall be paid to the Company at its time of settlement by that person who is the registered a shareholder at that time or by his administrators.

8.7. The Company is entitled to pay, at any time, a commission, to any person for his function as an underwriter or his consent to serve as an underwriter, conditionally or unconditionally, for any Security, including Bond Stock in the Company or his consent to underwrite, conditionally or unconditionally, any Security, Bond or Stock of Bonds in the Company. On each event the commission may be paid or settled in cash or Securities or Bonds or Stock of Bonds in the Company.

9. Share Certificate; Share Warrant

9.1. Subject to the provisions of the Companies Law and pursuant thereto, a Share Certificate shall bear the seal or stamp or the Company, and the signatures of two Directors, or as the Board may determine.

9.2. Any Shareholder registered in the Ledger of Members is entitled to receive one Share Certificate on account of the Shares registered to his name, or, if the Board approves (following payment of the sum determined by the Board from time to time), several Share Certificates, each for one or more such Shares; every Share Certificate shall mention the number of Shares on account of which it was issued and the serial numbers thereof.

A Share Certificate registered in the name of two or more persons, shall be handed over to that person, from amongst the joint owners, whose name appears first in the Ledger of Members.

9.3.

(a) The Company is entitled to deliver a Share Certificate on account of Shares that the full consideration of which was paid to the Company, which shall grant the holders thereof the rights to the Shares stipulated therein, and the right to transfer the same by handing over the Share, and the provisions hereof relating to transfer of Shares shall not apply to the Shares set forth in such Share Certificate.

(b) A Shareholder lawfully possessed of a Share Certificate is entitled to return it to the Company for cancellation and to turn it into a Share Registered to a Name; and entitled, in consideration of a fee to be determined by the Board, to have his name registered in the Ledger of Members on account of the Share mentioned in the Share Certificate, and that he be issued with a certificate of a Share Registered to a Name.

(c) A holder of a Share Certificate is entitled to deposit the Share Certificate at the Office, and for as long as it is so deposited, the depositor shall have the right to demand convening a meeting of the Company, subject and pursuant to the provisions of the Companies Law and these Articles, to be present at such meeting, to vote therein, and to make use of the remaining rights of a Shareholder at any Meeting convened upon his said demand within 30 days after said deposit, in the same manner as if his name was registered in the Ledger of Members as the holder of the Shares included in the Share Certificate. Only one person shall be recognised as the depositor of the Share, and the Company is obliged to return the Share Certificate to the depositor, should he request so in writing 30 days in advance.

In the event that a Share Certificate was not so deposited, its holder shall not have the rights set forth in this sub-Article (c), and he shall have, subject to the provisions of these Articles, all the remaining rights bestowed upon a Shareholder in the Company.

9.4. In the event that a Share Certificate is lost or destroyed, the Board is entitled to issue a new certificate or warrant instead, provided that the certificate or warrant was not rescinded by the Company, or it was proven, to the satisfaction of the Board, that the certificate or warrant were lost or destroyed, and received satisfactory sureties against any possible damages, and all in consideration of a payment, if the Board resolves to impose such.

10. <u>Call on Shares</u>

10.1. The Board may, from time to time, at its discretion, present the Shareholders with a Call on Shares to pay any outstanding consideration on account of the Shares held by each Shareholder, and which according to the terms and conditions of the allocation of the Shares they are not to be settled upon fixed times and dates, and each Shareholder is obliged to pay the Company the sum of the Call presented to him, at the time and place as determined by the Board. A Call on Shares may divide the payment into instalments. The date of the Call shall be the date of the Board's resolution pertaining to the Call.

10.2. A prior notice of fourteen (14) days shall be provided regarding each Call on Shares, which shall mention the rate of the payment, the place of payment, provided that prior to the time of settlement of such a Call on Shares the Board is entitled, by written notice to the Shareholders, to cancel the Call or extend its time for settlement, and provided that such resolution was adopted prior to the time of settlement of the Call.

10.3. Joint owners of a Share shall be jointly liable for payment of any instalment and Call on a Share due on account of such Share.

10.4. If, according to the terms and conditions of the allocation of any Share, or otherwise, any sum must be settled on a fixed date or by instalments on fixed dates, then any such sum or instalment shall be settled as if it were a Call on a Share duly presented by the Board, and for which notice was duly given, and to such sum or instalment all the provisions of these Articles pertaining to Calls on Shares shall apply.

10.5. In the event that the sum of a Call on Shares or instalment was not paid by or prior to its date of settlement, the person who is at that time the owner of the Share on account of which the Call was presented or for which the instalment was due, shall be obliged to pay interest on the said sum, at a rate to be determined by the Board from time to time, or at the rate permitted at that time by law, from the day fixed for such payment until payment in fact, however the Board is entitled to waive the payment of interest, in whole or in part.

10.6. Should the Board see fit, it is entitled to receive from a Shareholder who wishes to advance monies not yet Called or that the settlement of which is not yet due, and that have not yet been settled on account of his Shares, or any part thereof. The Board is entitled to pay the Shareholder for the monies advanced in the abovementioned manner, or for any part thereof, interest to the day the monies should have been settled had they not been so advanced, at a rate to be agreed upon between the Board and the Shareholder.

11. Share Forfeiture and Mortgage

11.1. In the event that a Shareholder fails to pay the consideration he committed to, in whole or in part, at the times and dates and on the terms and conditions determined, whether a Call on Share was issued or not, the Board may at any time provide notice to that Shareholder and demand he pay the unsettled sum, plus interest accrued and any other expense the Company was made to suffer on account of such non-settlement.

11.2. The notice shall set a date, at least fourteen (14) days after the date of the notice, and a place or places, in which the Call or abovementioned instalment must be paid, plus interest and the abovementioned expenses. The notice shall stipulate, that in the event of non-payment at the fixed time and date and the place set forth in the notice, the Company may forfeit the Shares on account of which the Call was made or on account of which the instalments have become conclusively due.

11.3. In the event of failure to fulfil the requirements included in the abovementioned notice, then at any time thereafter, prior to the payment of the Call on the Share or the instalment, interest and expenses due on account of those Shares, the Board may resolve to forfeit the Shares on account of which the said notice was provided. Such forfeiture shall include all the dividends declared in respect of the forfeit Shares which have not been distributed in fact prior to the forfeiture.

11.4. Any Share thus forfeit shall be deemed the property of the Company, and the Board may, taking account of the provisions hereof, sell it, reallocate it, or otherwise transfer it, as it deems fit.

11.5. Forfeit Shares that have not yet been sold shall be treasury stock in accordance with the Companies Law, and shall not grant any rights whatsoever for as long as they are the property of the Company.

11.6. The Board may at any time prior to the sale, reallocation or other transfer of any Share forfeited as abovementioned, rescind the forfeiture on such terms and conditions that the Board deems fit.

(a) Any Shareholder whose Share have been forfeit shall cease to be the owner of the said forfeit Shares, however he shall continue to be indebted to the Company for all Calls on Shares, payment instalments, interest and expenses due on account of those Shares or for them, at the time of forfeiture, plus interest at the maximum rate permissible at law at that time, unless the forfeit Shares have been sold and the Company has received the full consideration to which the Shareholder committed, plus the expenses accompanying the sale.

(b) In the event that the consideration received on account of the forfeit Shares was greater than the consideration to which the owner of the Shares thus forfeit was committed to, the Shareholder is entitled to recoup the partial consideration he gave for them, if any, subject to the terms and conditions of the allocation, and provided that the consideration remaining in the hands of the Company shall be no less than the full consideration committed to by the owner the Share thus forfeit, plus the expenses accompanying the sale.

11.7. The provisions hereof pertaining to forfeiture of Shares shall apply also to events of non-payment of a fixed consideration the time of settlement of which, according to the terms and conditions of the allocation of the Share, is due, as if it were a sum due for settlement by virtue of a Call on Shares presented and for which notice was given.

11.8. The Company shall have the right to a first ranking mortgage over any and all Shares registered to the name of any Shareholder, except for fully paid up Shares, and over the income from the sale of such Shares, for the settlement of the debts and liabilities of that Shareholder to the Company, whether individually or jointly with any other person, whether the time for settlement of such debts or fulfilment of such obligation is due or not, whatever the source of the debts may be, and no rights in Equity shall be created in any Share. The abovementioned lien and mortgage shall apply to all Dividends declared from time to time for such Shares. Unless resolved otherwise, registration by the Company of a transfer of Shares shall be deemed a waiver on behalf of the Company of such lien or mortgage (if any) over the Shares.

11.9. To realise the abovementioned mortgage, the Board shall be entitled to sell the Mortgaged Shares in a manner it deems fit, pursuant to it's discretion; however, no Share may be sold unless the period of time set forth in Article 11.2 above has passed, and the Shareholder (or such person entitled to be given notice following his death or insolvency or liquidation or the receivership of his assets) was provided written notice stipulating that the Company intends to sell the Share, and the Shareholder or person so entitled to the Share, has not paid the abovementioned debts or has not met the abovementioned obligations after the passing of fourteen (14) days from the date the said notice was sent.

11.10. The proceeds of any such sale, after the expenses of the sale have been settled, shall be used to settle the debts and fulfil the obligations of the owner of such a Share (including the debts, obligations and liabilities and contracts the time for settlement or fulfilment of which is not yet due) and the provisions of Article 11.6(b) shall apply, *mutatis mutandis*.

11.11. In the event of a sale following forfeiture or for the realisation of a mortgage under the powers and authorities granted above, the Board shall be entitled to appoint a person to sign a deed of transfer for the sold Shares and to register the purchaser in the Ledger of Members as the owner of the sold Shares, and the purchaser shall not be obliged to ensure theses actions were duly and properly taken, and it shall be none of his business what the proceeds of sale were used for, and following the registration of his name in the Ledger of Members on account of those Shares, the validity of the sale shall not be called into question, and the only remedy available to any person injured as a result of the sale, shall be suing the Company, and only the Company, for damages.

12. Share Transfer and Delivery

12.1. A Share transfer shall not be registered unless the Company was provided with the appropriate deed of transfer. A Company Share deed of transfer shall be signed by the transferor and transferee, and the transferor shall be deemed continuing to be the Shareholder until such a time as the name of the transferee is recorded in the Ledger of Members on account of the transferred Share.

A Share deed of transfer shall be drafted and filled out in the following form, or such similar form, or in the ordinary or customary way approved by the Board:

"I, _____, of _____ ("The Transferor"), in consideration of _____ NIS paid to me by _____, of _____ ("The Transferee"), do hereby transfer to the Transferee _____ shares _____ of _____ par value each, marked numbers _____ to _____ in _____ Ltd., to be in the hands of the Transferee, his executors, guardians, and attorneys, under all the terms and conditions on which I held them prior to the execution hereof, and I, the Transferee, do hereby agree to receive the said shares on the abovementioned terms and conditions.

And in Witness hereof we have signed our names this ____ Day of _____ in the year _____

_____ _____

Transferor **Transferee**

_____ _____

Witness to Transferor's Signature Witness to Transferee's Signature"

12.2. The Company is entitled to seal the Ledger of Members for such a time that the Board sees fit, provided that it is does not exceed thirty (30) days a year. The Company shall provide notice to the Shareholders of the sealing of the Ledger of Members pursuant to the provision hereof, for the purposes of providing notices to the Shareholders. The Company is entitled to fix a determining date for the purposes of the right to receive invitations to General Meetings, to participate and vote therein, and for the purposes of the right to receive a Dividend, provided that such date won't be more than seven (7) days prior to the date fixed for the convention of the General Meeting.

12.3.

(a) Any and every deed of transfer shall be handed in to the Office for recording. Deeds of transfer recorded shall remain in the possession of the Company, but any deed of transfer which the Board refuses to register, shall be, upon demand, returned to the person who delivered it, together with the Share Certificate (if handed in).

(b) The Company is entitled to demand payment of a fee for the registration of the transfer, which fee shall be fixed by the Company Board.

12.4. The administrators and executors of a deceased Shareholder, or, in the absence of administrators or executors, the persons entitled as the heirs of the deceased Shareholder, shall be the only individuals the Company shall recognise as owners of rights in the Share that was registered to the name of the deceased.

In the event that a Share is registered in the name of two or more owners, the Company shall exclusively recognise the surviving partner or partners as those persons who own the rights to the Share or any beneficial interest therein. In the event that a Share is registered in the name of several owners jointly as mentioned, each one of them shall be entitled to transfer his right.

12.5. The Company may recognise the receiver or liquidator of a Shareholder which is a corporation in liquidation or in the process of winding up or the trustee in bankruptcy or any receiver of a bankrupt Shareholder as owners of the rights in and to the Shares registered to the name of such Shareholder.

12.6. Any person who gains an interest in Shares owing to the death of a Shareholder, shall be entitled, on production of proof of probation of a will or the appointment of an administrator or the granting of an inheritance order, testifying that he has the right to the Shares of the deceased Shareholder, to be registered as the Shareholder on account of those Shares, or may, subject to the provisions hereof, transfer those Shares.

12.7. The receiver or liquidator of a Shareholder that is a corporation in liquidation or in the process of winding up, or the trustee in bankruptcy or any receiver of a bankrupt Shareholder, may, having produced such evidence the Board demands of him, testifying that he has the right to the Shares of the Shareholder in liquidation or winding up or bankruptcy, with the consent of the Board (which consent the Board may withhold without giving any reasons for its refusal) be registered as the Shareholder on account of those Shares, or he may, subject to the provisions hereof, transfer those Shares.

12.8. All the abovementioned pertaining to the transfer of Shares shall apply to the transfer of other Company Securities, *mutatis mutandis*.

13. Redeemable Shares

13.1. The right to redeem shall be limited to the eventuality of a winding up of the Company following the settlement of all the Company's obligations to its creditors at the time of winding up.

13.2. Redeemable Shares shall grant the holders thereof the following rights:

(a) Voting rights;

(b) Rights to participate in Dividends.

14. Recapitalisation

14.1. The Company is entitled, from time to time, by resolution of the General Assembly, passed by an ordinary majority of Shareholder votes, to increase the Company's Authorised Share Capital in Classes of Shares as it shall determine.

14.2. Unless stated otherwise in the resolution approving the said Capital increase, the provisions hereof shall apply to the New Shares.

14.3. By resolution of the General Meeting passed by an ordinary majority of Shareholder votes, the Company is entitled:

(a) To consolidate and distribute its Share Capital into Shares of higher par value than those extant, and in the event of no par value – to capital comprising a smaller number of Shares, provided that such will not alter the proportional respective holdings of the Shareholders in the issued capital.

For the purposes of carrying out any such resolution, the Board is entitled to settle in a manner it deems fit any difficulty arising, and *inter alia*, to issue Certificates for Share fractions or Certificates in the name of a number of Shareholders that shall include the fractions of Shares to which they are entitled.

Notwithstanding the foregoing authority of the Board, in the event that as a result of consolidation there shall be Shareholders, the consolidation of whose Shares leaves fractions, the Board is entitled, with the consent of the General Assembly passed by ordinary majority of Shareholder votes:

(1) To sell the total number of fractions and for such purposes to appoint a trustee in whose name the Share Certificates that include fractions shall be made, who shall sell them and the proceeds of sale, after deduction of commissions and expenses, shall be distributed amongst those entitled; or

(2) To allocate to each Shareholder who is left by the consolidation with fractions, Shares of the Class of Shares prior to the consolidation, fully paid up, at such a number that their consolidation with the fraction shall be sufficient for one complete Consolidated Share, and such allocation shall be deemed valid close in time prior to the consolidation; or

(3) Determine that Shareholders shall not be entitled to receive a Consolidated Share on account of a Consolidated Share fraction, arising from the consolidation of half or less of the number of Shares the consolidation of which created one Consolidated Share, and shall be entitled to receive one Consolidated Share on account of a fraction of a Consolidated Share arising from the consolidation of more than half the number of Shares the consolidation of which created one Consolidated Share;

In the event that actions pursuant to the foregoing paragraphs (2) or (3) shall necessitate issuing additional Shares, then the settlement of such shall be done in the same way as settlement on account of Bonus Shares. Such consolidation and division shall not be deemed an alteration of the rights of the Shares which are the subject matter of the consolidation and division.

(c) To distribute, by way of new distribution of existing Shares, all or part thereof, its Share Capital, in whole or in part, to Shares of lower par value than the existing Shares, and in the event that its Shares had no par value,to Share Capital comprising a larger number of Shares, provided that such will not alter the proportional respective holdings of the Shareholders in the issued Capital.

(d) To cancel any Authorised Share Capital which on the date of the resolution had yet to be allocated, provided that the Company has no obligations, including no conditional obligations, to allocate the Shares.

15. General Meetings

15.1. In addition to the resolutions the authority to adopt which is given to the General Assembly, and set forth herein these Articles and/or in the Companies Law, the decisions of the Company on the following matters shall be taken at General Meetings by ordinary majority of votes of participating Shareholders:

(a) Amendment of these Articles pursuant to Article 39 hereinafter.

(b) Exercising the powers and authorities of the Board in the event that the Assembly has determined that the Board is prevented from exercising its power and authorities, and that the exercise thereof is essential to the proper management of the Company pursuant to Section 52(a) of the Companies Law.

(c) Appointment of the Company's auditor, fixing his terms of employment and terminating his appointment pursuant to the provisions of Sections 154 through 167 of the Companies Law.

(d) Approval of actions and transactions which require the General Assembly's approval pursuant to the provisions of Sections 255, 270(1)-(3), 271 through 273 of the Companies Law.

(e) Increase the Share Capital and cancellation thereof, pursuant to the provisions of Section 286 & 287 of the Companies Law.

(f) A merger pursuant to Section 320(a) of the Companies Law, and subject to Section 320(A1) of the Companies Law.

15.2. The General Assembly is entitled to assume powers and authorities granted to another organ.

15.3. The Company shall hold an annual General Meeting every year, and no later than after fifteen (15) months following the preceding General Meeting. A General Meeting that is not an annual meeting shall be an Extraordinary Meeting.

15.4. The agenda at the annual General Meeting shall include the following subjects:

(a) Discussion of the Companies audited financial statements, with the enclosed Board report;

(b) Appointment of Directors pursuant to Article 19.1, and determining their remuneration as Directors;

(c) Appointment of a financial auditor;

(d) Matters for which an Extraordinary Meeting must be convened under Section 63 of the Companies Law;

(e) Matters that one or more Shareholders, representing at least five (5) percent of the issued Capital and at least one (1) percent of the voting rights in the Company, or one or more Shareholders, who have at least five (5) percent of the voting rights in the Company, have asked the Board to include, provided that they are matters to be properly discussed at a General Meeting.

15.5. Any time the Board deems fit, it is entitled to convene an Extraordinary Meeting by resolving to do so, and Extraordinary Meetings shall be convened pursuant to demands as set forth in the Companies Law.

15.6. Notice of a General Meeting, on the agenda of which there are no matters for which voting may be by written ballot under Section 87 of the Companies Law, shall be published up to at least fourteen (14) days prior to the Convention, and notice on the agenda of which there are such matters, shall be published at least twenty one (21) days before the Convention. Notice shall be published in no less than two daily newspapers, of wide circulation in Israel, published in Hebrew. In any event, no notice shall be sent to each one of the Shareholders registered on the Company's Ledger of Members.

The notice shall specify the type of meeting, the time and place of the meeting, a list of the items on the agenda, an extract of proposed resolutions, the required majority to adopt the resolutions and the date for the determination of entitlement of Shareholders to vote in the General Meeting, as set forth in Section 182 of the Companies Law. In the event that an adjourned Meeting is set for a date later than that stipulated for in Section 78(b) of the Companies Law, namely, more than seven (7) days, that date shall be specified in the notice.

16. **General Assembly Resolutions**

16.1. No discussion in General Assembly may be commenced unless a legal quorum is present within half an hour of the time scheduled for the meeting. Unless otherwise provided for by Companies Law or by these regulations, legal quorum will be present when at least two (2) shareholders holding together twenty five percent (25%) of company's votes are present in person or by their attorneys.

16.2. If half an hour after the time scheduled for the meeting legal quorum is not present, meeting shall be postponed to same day on following week, same time and place, or to a later date, if specified on notice as to meeting, and if the matters for which first meeting was called will be covered on postponed meeting. If no legal quorum is present on second meeting half an hour after the time scheduled for the meeting, then meeting shall take place with any number of attendees.

If general assembly was convened at shareholders' request as covered in Companies Law, postponed meeting will only be held if the minimum number of shareholders required for holding a meeting was present, as covered in Section 63 of Companies Law, i.e., one or more shareholders holding at least five (5) percent of issued capital and one (1) percent at least of the voing rights in the company, or one or more shareholders holding at least five (5) percent of the company's voting rights.

16.3. The chairman of the Board will chair every General Assembly. If there is no chairman or if he is not present within fifteen (15) minutes of the time scheduled for the meeting, or if he does not wish to chair the assembly, the shareholders present in the meeting will select one of them as chairman.

16.4. The General Assembly's chairman shall be permitted, with the consent of the assembly where a legal quorum is present, to postpone the meeting to another time and location, and must postpone it as above if the assembly instructs him to do so. At the postponed meeting, only matters on the agenda which discussion was not completed or commenced at the meeting where the postponement was resolved will be discussed.

16.5. Subject to the provisions of Companies Law and these Articles that require an extended majority of shareholders, any proposed resolution brought before the assembly shall be decided upon by simple majority of the votes of shareholders present and voting.

16.6. The General Assembly's chairman shall not have an additional or decisive vote.

16.7. The Chairman's announcement that a resolution was made unanimously or by certain majority or was rejected, and the meeting's minutes signed by the chairman, will serve as prima facie evidence of contents of minutes.

17. **Shareholders' Vote**

17.1. Subject to any special provisions, privileges and limitations as to the voting of shareholders involved at that time with any shares, when voting by counting votes or by secret ballot, every shareholder whether present himself or by attorney or proxy, will have one vote for each share he owns granting him a voting right.

17.2. A corporation constituting a company shareholder is permitted, by the decision of its Directors or another managing body, to authorize any person it may deem fit to serve as its representative at any general assembly. A person authorized as covered above will be permitted to use – on behalf of the corporation he represents – the same voting rights the corporation itself may have used were it an individual shareholder.

17.3. Subject to the provisions of Companies Law, general assembly resolutions on issues listed below will also be made by proxy:

(a) Appointing and dismissing Directors;

(b) Approving actions or transactions requiring General Assembly's approval as per Sections 255 and 268 to 275 of Companies Law;

(c) Approving merger as per Section 320 of Companies Law;

(d) Issues covered by the Ministry of Justice in the regulations that were set forth or will be set forth under Section 89 of Companies Law;

Subject to the provisions of Companies Law, proxy will be deposited in Office or any other location designated for convening the assembly at least forty eight (48) hours prior to the time scheduled for commencing the meeting where person specified in proxy is to vote. However, the General Assembly chairman is permitted to waive this requirement and accept proxy when meeting commences.

18. **Voting Rights**

18.1. Minor shareholders and shareholders who were declared by court to be incompetent, may vote only through their guardians, and each guardian as above may vote through an attorney.

18.2. In the event of co-owners of a share, the opinion of one co-owner will be accepted, whether given personally or by attorney – and the opinion of remaining co-owners will not be accepted. For this purpose, the co-owner whose opinion shall be heard shall be determined by the order their names are listed in the book of shareholders.

18.3. Shareholders can vote personally or by attorney, or in the case of a corporation, by representative as covered in Article 18.4 below or by attorney with proper power of attorney as covered below.

18.4. Any document appointing an attorney for voting (hereinafter **"Letter of Appointment"**) will be signed by the appointer or his attorney authorized in writing to do so, or if the appointer is a corporation, the appointment will be done in writing, signed as legally required and stamped with the corporation seal or signed by its authorized attorney.

18.5. Letter of appointment and power of attorney (if any) based on which letter of appointment was signed, or its copy approved to board's satisfaction, will be deposited in office or any other location designated for convening the assembly at least forty eight (48) hours prior to the time scheduled for commencing the meeting, in which the person specified in letter of appointment is supposed to vote. However, the General Assembly chairman is permitted to waive this requirement for all attendees of certain meeting and accept power of attorney when meeting commences.

18.6. A Shareholder holding more than one share will be entitled to appointing more than one attorney, subject to following provisions:

(a) Letter of appointment specifies type and number of shares for which it is granted;

(b) Should number of shares of any kind specified in letters of appointment granted by one shareholder exceed number of shares of that kind held by him, all Letters of Appointment granted by that shareholder for excessive shares shall be canceled, without detracting from the validity of the vote for shares held by him;

(c) in case that only an attorney is appointed by a shareholder, but the Letter of Appointment does not specify the number and type of shares for which it was granted, than such Letter of Appointment shall be deemed as granted for all shares held by the shareholder on date the letter of appointment was deposited with the company or handed to the General Assembly chairman, as the case may be. If the Letter of Appointment was granted for a number of shares smaller than number of shares held by shareholder, shareholder shall be deemed as refraining from voting for remaining shares he holds, and letter of appointment shall be valid only for the number of shares specified on it.

18.7. Any Letter of Appointment for an attorney, whether for a specifically named meeting or otherwise, will be made as follows, as far as circumstances permit:

"I, _____, of _____ shareholder of _____ Ltd. (hereinafter **"The Company"**) hereby appoint _____, whose ID is _____, of _____, or in his/her absence, _____, whose ID is _____, of _____, or in his/her absence, _____, whose ID is _____, of _____, to vote for me and on my behalf for ___ shares of type _____ held by me, at the company's annual / special general assembly / at a shareholder meeting of type _____ to be held on day _____ of month _____, year _____, and at any meeting postponed from that meeting.

In witness whereof I hereby sign on this day of ____ month _____ year _____. Signature"

18.8. Vote based on the provisions of a document appointing an attorney will be valid despite the appointer's decease or cancellation of the power of attorney or transferring the share for which voting was done as covered above, unless notice in writing of such decease, cancellation or transfer was received at the office or by the meeting's chairman prior to voting.

19. **Board of Directors**

19.1. The number of Board members for the Company shall be no more than thirteen (13) (hereinafter **"Normal Directors"**), plus the number of external Directors which appointment is legally required (hereinafter **"External Directors"**).

19.2.

(a) The Company Directors will be elected by resolution of Annual General Assembly, with the normal Directors appointed every Annual General Assembly, and External Directors appointed as legally required. Election of Board members as above will be done by shareholders present at the meeting, personally or by attorney, or, subject to the provisions of Companies Law, by proxy, by simple majority of shareholder votes.

(b) A Director's tenure will commence on the date of his appointment by the assembly as above. A Director appointed as above by general assembly shall serve until the end of the next annual assembly after the annual assembly when he was appointed.

(c) Notwithstanding the above, a general assembly may dismiss any Director at any time, by simple majority resolution, with the exception of an outside Director, prior to termination of his tenure, so long as the Director is given reasonable opportunity to voice his position before the general assembly. Additionally, any general assembly may appoint another person as Director by simple majority resolution in place of the dismissed Director. A Director appointed as above shall serve in such position only for the tenure of the Director in place of which he was appointed.

19.3.

(a) At any time, a Director may appoint a person to serve as his substitute Director, subject to the provisions of Companies Law (hereinafter **"Alternative Director"**). Any person disqualified to be appointed as Director, or serving as Director or alternative Director shall not be appointed as alternative Director. So long as the alternative Director's appointment is effective, he shall be entitled to be invited to all board meetings (without revoking the Director's right to be invited) and attend and vote at any board meeting from which appointing Director is absent.

(b) Alternative Director shall have, subject to the provisions of his Letter of Appointment, all rights held by the Director he substitutes, and he shall be treated as Director.

19.4.

(a) Director appointing Alternative Director shall be permitted to cancel appointment at any time. Alternative Director's tenure shall be terminated if the Director appointing him notifies the company in writing of his resignation or if his tenure as Director was otherwise terminated.

(b) Any appointment of an Alternative Director and cancellation of his appointment shall be done by notifying the company in writing.

19.5. A Director ceasing to serve in such position can be reappointed, but in the event of termination of his tenure due to being convicted of an offense as specified in Article 19.6 (c) below, he can be reappointed only if five (5) years have passed since the date of his conviction as covered in Section 226 of Companies Law.

19.6. A Director's position shall automatically become vacant under any one of the following conditions:

(a) If he resigns from his position as covered in Section 229 of Companies Law.

(b) If he is convicted of an offense as covered in Section 232 of Companies Law.

(c) If the court decides to direct his tenure to be terminated as covered in Section 233 of Companies Law.

(d) If he declares bankruptcy, and if a corporation, if it has decided on voluntary liquidation or liquidation order is issued on it.

(e) In event of his decease.

(f) If he becomes incompetent.

19.7. If no other Director is appointed in place of the Director whose tenure was terminated at the annual general assembly, then the Director whose tenure was ended shall be appointed to an additional tenure, or if notwithstanding the above no Director is appointed or a Director's office becomes vacant, then the remaining Directors shall be permitted to take any action, so long as their number is minimally three. Additionally, the remaining Directors shall be permitted to appoint a Director in place of the Director whose tenure was terminated, who will serve in his office until the next annual general assembly.

19.8. Directors shall not be paid wages with company funds, unless the company resolves as covered in Sections 270 (3) and 273 of Companies Law. A Director shall be entitled to have his reasonable transportation expenses reimbursed, as well as other expenses connected to his attending board meetings and fulfilling his duties as board member. Reward and expenses for outside Directors shall be paid according to Company Regulations (Rules for Reward and Expenses for Outside Director), 2000, or any other regulations replacing these in the future.

20. **Board's Authority**

20.1. In addition to the powers generated to the Board according to the Companies Law and these Articles, and without detracting from such, the Board shall outline the Company's policy and shall supervise the execution of the CEO's duties and actions, including:

(a) Determining the Company's plans, principles for their funding, and priorities among them;

(b) Reviewing the Company's financial condition and determining the limit for credit it may use;

(c) Determining organizational structure and wage policy;

(d) Being permitted to decide on issuing a series of bonds;

(e) Responsibility for preparing financial statements and for their approval as per Section 171 of the Companies Law;

(f) Appointing and dismissing CEO as covered in Section 250 of the Companies Law;

(g) Deciding on actions and transactions requiring his approval as per Sections 253 and 268 to 275 of the Companies Law and the provisions of these Articles;

(h) Being permitted to allocate shares and convertible securities up to the Company's registered share capital as per Section 288 of the Companies Law;

(i) Being permitted to distribute as covered in Sections 307 and 308 of the Companies Law;

(j) Voicing his opinion to the general assembly as to a special acquisition offer as per Section 329 of the Companies Law;

(k) Being permitted to determine, from time to time, who would be authorized to sign bills of exchange, promissory notes, invoices, acceptance documents, endorsements, checks, contracts and any kind of other documents on behalf of the company, but such authorized signatories would be obligated to sign with the company seal, or next to its printed or written name.

20.2. The board will act, on any of the matters listed in Article 20.1 above, according to the Companies Law and these Articles.

20.3. The Board's powers according to Article 20.1 (a) to (j) above cannot be delegated to the CEO, except as covered in Section 288 (b) (2) of the Companies Law.

20.4. Recommendations, reports and approvals to be given by the board as per regulation 20.1 above shall be accompanied by the Board's explanations to the recommendation, report or approval, as the case may be.

20.5. Chairman of the Board shall direct Board meetings. On first Board meeting after each annual general assembly, Board will elect one of its members to serve as chairman of the board. Appointment of chairman of the board shall remain in effect until first annual general assembly after his appointment.

21. **Board Meetings**

21.1. The Board shall convene for meetings as per Company's needs, and at least once every three (3) months.

21.2. The Chairman of the Board shall be permitted to convene the Board at any time. Additionally, any two Directors (and if number of board members does not exceed five (5) – any one Director) shall be permitted to demand a Board meeting on a specified subject.

21.3. Any notice of a board meeting can be communicated verbally, by telephone, in writing (including fax or e-mail) or by telegram, so long as notice is given at least 12 hours prior to the time established for the meeting, unless all board members or their replacements (if any) have agreed on shorter notice or on convening without notice. A Director travelling or staying outside of Israel at any time, shall not be entitled to be provided with notice of a board meeting for the length of his trip, so long as if he has appointed an alternative Director as per these regulations, such notice would be sent to that alternative Director.

21.4. Notice of a Board meeting shall specify its date and place and contain reasonable details of all issues on the agenda.

The agenda shall include all issues established as per Article 21.2 above, and any issue a Director or the CEO requested the chairman to add to the agenda within a reasonable period of the board meeting.

21.5. Until board resolves otherwise, most Board members for that time, who are not legally prevented from participating and voting at the Board meeting, shall constitute a legal quorum for Board meetings and its decisions. Legal quorum shall be examined when meeting commences and each time Board makes a resolution.

Notwithstanding the above, the legal quorum for the Board's resolution to terminate internal auditor's tenure shall not in any event be less than most Board members.

21.6. Board resolutions will be based on simple majority of attending, voting Directors. Each Director shall have one vote.

21.7. The chairman of the Board shall chair each Board meeting. If the chairman of Board is absent, within fifteen (15) minutes of time scheduled for meeting, or if he does not wish to chair the meeting, the Board members present at meeting shall elect one of them to serve as chairman, direct meeting and sign meeting minutes. However, when board votes, the person elected shall not have an additional or decisive vote.

21.8. Each Board meeting where a legal quorum is present shall be permitted to fulfil every authority, power of attorney and judgment that according to these regulations are given to board at that time or that are normally utilized by the Board.

21.9. The Board shall be permitted to make resolutions without actually convening, with the consent of all Directors entitled to participating in the discussion and voting as to the resolution. In such an event, the chairman of board shall prepare minutes and attach Directors' signatures.

21.10. Subject to the provisions of any law, all actions taken by board or under its decision, or by meeting of a board committee or by person serving as board member, shall be valid even if it is later discovered that there has been some flaw in electing these board members or the persons serving as above, or that all or one of them are invalid, just as though each of them were legally elected and had the necessary qualifications for becoming a member of the board or of said committee.

21.11. A resolution signed by all Directors (or their alternative Directors) or agreed to in writing (including fax) by all Directors (or their alternative Directors) who are not legally prevented from participating in such resolution; and resolutions made by using any means of communication that allow all Directors who are not legally prevented from participating in such resolution to hear the other Directors simultaneously – shall be valid for all intents just as though they had been made at a properly convened board meeting.

22. **Board Committee**

22.1. Board shall be permitted, by a resolution of the majority of Directors constituting Board at that time, to establish committees and appoint Board members as committee members. Subject to the provisions of Companies Law and these Articles, Board may delegate its powers or any part thereof to above committees, and for a special matter, can cancel such delegation from time to time. At least two (2) Directors shall serve on each committee. At least one (1) External Director shall serve on any committee permitted to utilize any of the Board's powers.

22.2. When using its powers, any committee established as covered in Article 22.1 above must fulfil all provisions established by the Board. Meetings and actions of each committee shall be conducted according to the provisions contained in these artciles as far as Board's meetings and actions, so long as they are suitable and so long as no provisions by the Board have replaced them.

22.3.

(a) A Resolution made or action taken by board committee according to a power delegated to it by the Board, shall be the same as a board's resolution or action.

(b) Notwithstanding this section, on the issues listed below a Board committee shall not be permitted to make resolutions but recommendations only:

(1) Establishing general Company policy;

(2) Distribution, with the exception of acquiring Company shares according to framework formerly outlined by Board;

(3) Establishing Board's postion as to an action requiring general assembly's approval, or as to providing an opinion as per Section 329 of Companies Law;

(4) Appointing Directors, if the Board is permitted to do so;

(5) Allocating shares or securities convertible to shares or which can be realized as shares – or a series of bonds – unless the share distribution is due to realizing or converting Company securities;

(6) Approving financial statements;

(7) Approving transactions and actions requiring Board's approval as per Sections 255 and 268 to 275 of Companies Law.

22.4. A Board committee shall report to board on ongoing basis of its resolutions or recommendations as determined by Board.

22.5. The Board may cancel resolution of committee appointed by it, but such cancellation shall not detract from the validity of a committee resolution acted upon by company towards another person not knowing of its cancellation.

However, all actions taken in good faith at board meeting or by a Board committee or by any person serving as Director shall be valid even it is later discovered that there has been some flaw in appointing such Director or person acting as above, or that all or one of them are invalid, just as though each of them were legally appointed and had the necessary qualifications for becoming a Director.

23. **Minutes**

23.1. The Company shall document minutes of general assemblies, class meetings, Board meetings and Board committee meetings, and shall keep them in its office for a period of seven (7) years of the assembly or meeting, as the case may be.

23.2. Minutes will always contain the following:

(a) Day and place where meeting or assembly took place;

(b) Names of attendees, and if they are attorneys or alternative participants, names of those granting power of attorney or appointing, and for a shareholders' meeting, number and types of shares based on which voting is conducted;

(c) Summary of discussions, course of discussions and resolutions made;

(d) Instructions given by board to board committees or CEO;

(e) Documents, reports, approvals, opinions, etc. presented, discussed and/or attached.

Such general assembly minutes signed by assembly chairman shall serve as prima facie proof of its contents, and such board or board committee meeting minutes approved and signed by meeting chairman or board chairman shall serve as prima facie proof of its contents.

Above provisions shall also apply to written resolutions.

24. **CEO**

24.1. The CEO shall be appointed, whether for a fixed or limited period, and dismissed by board through majority of board members.

24.2. The CEO shall be responsible for ongoing management of company's affairs as part of policy established by board and subject to its directions.

24.3.

(a) The CEO shall have all management and execution powers not granted by Companies Law or by these regulations to any other company agency, and shall be supervised by board.

(b) The CEO may delegate some of his powers, with board's approval, to anyone under him. Approval can be general and granted in advance.

24.4.

(a) The CEO shall notify the chairman of Board immediately of any exceptional matter meaningful to the Company, and shall submit to board reports on such matters, at such times and at such extent as the board sees fit. Should the Company not have a chairman of the Board, or should he be prevented from fulfilling his duties, CEO shall notify all Board members of such circumstance.

(b) The Chairman of Board shall be permitted, as his own initiative or at board's decision, to demand of CEO to report on the Company's affairs.

(c) Should such notice or report require board's action, chairman of board shall immediately summon a board meeting to discuss notice or resolve upon required action.

25. Local Management

25.1. The Board may arrange, from time to time, arrangements for the management of the Company's business in any specific location; whether in Israel or abroad, as it sees fit, and the provisions set forth in Article 25.2, below, shall not derogate from the general authorisations granted the Board under this Article.

25.2. The Board may, at any time and from time to time, establish any local management or local agency to manage the business of the Company in any specific location, in Israel or abroad and can appoint any person to be a member of said local management, or any manager or agent and may determine their salary. The Board may, from time to time, grant any person so appointed any power, authority and freedom of discretion that are granted at that time to the Board, and he may empower any person who is at that time serving as a local member of management to continue in his position even though a position has been vacated there, and any such appointment or such authorisation may be made under the same terms and conditions that the Board will see fit and the Board may at any time terminate the employment of any person who was so appointed and to cancel or amend any such authorisation.

26. Registry of Shareholders

26.1.

(a) The Company shall administer a registry of shareholders (the "**Primary Registry**") and will record in it the following details:

(1) For registered share -

(a) Name, I.D. number and address of every shareholder, all as was provided to the Company; and

(b) Amount of shares and types of shares held by each shareholder, listing their par value, if existent, and if any amount has yet to be paid in consideration for such shares - the amount yet to be paid; and

(c) Date of allocation of the shares or the date of transfer to the shareholders, whichever relevant; and

(d) If the shares have been marked with serial numbers, the Company shall note, next to the name of each shareholder, the serial numbers of the shares registered in the shareholder's name; and

(e) All other details that, by the Companies Law or these Articles of Association, are required or permitted to be registered in the Primary Registry.

(2) Bearer Shares -

(a) Notification of the facts that bearer shares have been allocated, their date of allocation and the amount of shares that have been allocated; and -

(b) The numbering of the bearer shares and of the share certificates.

If the share certificate is cancelled by request of the shareholder, the name of the shareholder and the number of shares registered in his name will be registered in the Primary Registry.

(3) Dormant Shares - Their numbers and the date they became dormant.

(a) The Company may, subject to and in accordance with the provisions of sections 138 and 139 of the Companies Law, maintain an additional shareholders registry outside of Israel.

27. Company Officers

27.1. The Company's CEO may, from time to time, appoint officers (except for Directors and a CEO) to the Company to permanent, temporary or special positions, as the CEO so decides from time to time, and similarly, the CEO may terminate the services of one or more of the aforementioned from time to time and at any time, in his absolute discretion.

27.2. The CEO can determine, subject to the provisions of the Companies Law, the authority and the role of each officer he so appoints, as well as the terms under which they will fulfil of their position and may demand collateral in the cases and in the amounts he deems necessary.

28. Distribution

28.1. Subject to all special rights or restrictions granted to particular shares, dividends or share dividends will be distributed and paid to the shareholders relative to the sum of capital paid-up against the par value of the shares held by them, and this without taking into account the premium paid on them.

28.2. Decisions on the distribution of dividends will be made by the Company Board. All profits made that are worthy of being distributed as dividends, subject to accepted accounting principles and to the provisions of the Companies Law, will be distributed by the Company to the shareholders, whether as a dividend or by means of the purchase of shares from all shareholders by the Company or a corporation in its control, and this with their being actually received by the Company, and subject to all applicable law.

28.3. The Board may delay any dividend, benefit, rights or sums about to be paid for shares in which the Company has a lien and/or charge, and to use any such amount or to realise any benefit and any right and to use the consideration from such realisation to pay off the debts for which the Company holds liens or charges.

28.4. The transfer of a share shall not entitle the recipient of the share the right to a dividend or to any other distribution that was decreed after the transfer but before the transfer was registered, however, if the transfer is subject to the Board's approval, the date of approval shall be used instead of the date the transfer was registered.

28.5. In the event of a dividend whose payment is not demanded within seven (7) years from the date of the decision on its distribution, the person entitled to said payment will be deemed to have ceded same and it shall be returned to the Company's ownership.

If not deemed otherwise, any dividend may be paid by cheque or payment order to be sent by mail to the registered address of the Company or individual thereto entitled or, in the event of registration of joint ownership, to that member whose name in the registry is registered first with respect the joint ownership. Any such cheque will be written to the order of the person to whom it is sent. The receipt of the person whose name, on the date of decree of dividend, is listed in the members' registry as a shareholder or, in the event of joint ownership, as one of the joint owners, will serve as release with respect to all the payments made in connection with that given share.

28.6. The Board is entitled to deduct from any dividend, grant or other distribution to be made in connection with shares held by a shareholder, whether held solely or jointly with another shareholder, any sum of money due from him which he must pay by himself or together with another to the Company, against demands for payment or similar.

28.7. Subject to Article 28.2, the Board may, in its own discretion, set aside in special funds any sum from the Company's profits, or the revaluation of its assets, or the relative portion of the assets of the companies connected with it, and to determine the designation of these funds.

29. The Internal Auditor

29.1. The Company's Board shall appoint an internal auditor, according to the recommendation of the auditing committee.

29.2. The organisational superior of the internal auditor shall be the Chairman of the Board.

29.3. The internal auditor shall submit, for the approval of the Board, a proposal for an annual, or periodic, work plan and the Board shall approve same with the amendments it sees fit.

29.4. The internal auditor shall operate in accordance with the provisions of the Companies Law.

30. The financial Auditor

30.1. A financial auditor shall be appointed in every annual meeting and shall serve in this position until the end of the following annual meeting. Notwithstanding the above, the General Assembly may, in a majority decision of the shareholders, appoint an financial auditor for a longer period that shall not exceed the end of the third annual meeting following the meeting in which he was appointed.

30.2. The General Assembly may terminate the appointment of the financial auditor .The fee of the financial auditor for auditing activity will be set by the General Assembly and in accordance with Section 165 of the Companies Law.

30.3. The fee of the accountant for additional services to the Company which are not auditing activities will be set by the Board.

31. Transactions Requiring Special Authorisation

31.1. A transaction of the Company with one of its officers and a transaction of the Company with another person with whom a Company Officer has a personal interest, and which is not an irregular transaction, requires authorisation of the Board alone, all subject to the fifth chapter of the sixth part of the Companies Law.

31.2. The Company is not allowed to enter into a transaction with related parties for a period of three years commencing on the date said related party became a controlling holder in the Company, this unless as a result of the completion of the transaction the related party becomes a controlling holder holding no less than 75% of the Company's share capital, and all subject to the fifth chapter of the sixth part of the Companies Law.

For this purpose, "Control" as defined in the Securities Law.

32. Merger

The authorisation of a merger requires a regular majority of shareholder votes and subject to the provisions of Section 320(A1) of the Companies Law.

33. Notices

33.1. Subject to the provisions of Article 15.6 of these Articles, a notice on the general assembly shall be given only to shareholders registered in the primary registry and entitled to participate in the general assemblies, who have provided addresses in Israel. Any other person shall not be entitled to receive notices about general assemblies.

33.2. When the Company has grounds to assume that the address provided by a shareholder is no longer his address, such a shareholder shall be deemed as not having provided an address to the Company, in each of the following cases:

(a) When the Company sent him to the address he provided a registered letter in which he was requested to either confirm that the said address is still his address or to notify the Company of a new address, and the Company did not receive a reply within thirty (30) days of the date the letter was posted by the Company at the post office.

(b) When the Company posted a registered letter to the address he provided and the Postal Authority, whether with or without the return of the letter, notified the Company that the letter was not delivered to the given address because he is unknown at that address or for any other reason.

33.3.

(a) The Company may deliver any notice and any document to a shareholder by hand delivery or by delivering via mail to the address provided to the Company. If a notice was sent by mail, the notice shall be deemed fully performed if the letter containing the notice bore the address provided to the Company and if it was sent with appropriate postage, and as long as the opposite has not been proved, it shall be deemed delivered within seventy-two (72) hours of posting at the post office by the Company when the address is in Israel, and when the address is abroad - within ten (10) days from posting at the post office by the Company.

(b) The Company may send notices to shareholders whether they are holders of registered shares and whether they are holders of bearer shares, by publication of the notice at least once in two daily newspapers of broad circulation in the Hebrew language as set forth in Article 15.6 above, and the date of publication in the newspaper shall be deemed the date the notice was received by the shareholders.

(c) Nothing in the above paragraphs (a) and (b) shall be deemed as imposing any obligation on the Company to give a notice to whoever did not provide the Company with an address in Israel.

33.4. The Company may give notice to partners in a share by sending the notice to the partner whose name first appears in the Shareholders Registry for that share.

33.5. Any and all documents or notices sent by the Company in accordance with the provisions of this article shall be deemed properly sent despite the death, bankruptcy or liquidation of said shareholder (whether or not the Company knew), as long as no other was registered as a shareholder in his place, and sending and delivery as set forth above shall for all purposes be deemed sufficient for all parties interested in those shares.

33.6. The unwitting failure to send notice to a shareholder, or the non-receipt of such a notice by a shareholder shall not derogate from the validity of any resolution accepted in such an assembly.

34. Liquidation of the Company

In the event of liquidation of the Company, whether willingly or otherwise, the following provisions shall apply, unless specifically set forth otherwise in these Articles or in the terms under which a given share was issued:

(a) The liquidator shall first use all of the Company's assets for the payment of its debts (the Company's remaining assets after the payment of its debts shall hereinafter be referred to as the "**Surplus Assets**").

(b) Subject to any special rights attached to shares, the liquidator shall distribute the Surplus Assets amongst the shareholders *pari passu* their par value.

(c) With the Company's permission by a resolution that was accepted in the General Assembly by a regular majority of shareholders' votes, the liquidator may distribute the Surplus Assets of the Company, or any portion thereof, in their original physical form amongst the shareholders, and may also transfer any asset of the Surplus Assets to a trustee in a trust for the benefit of the shareholders, all as the liquidator deems fit.

35. Exemption from Liability

The Company may, by resolution reached in the manner set forth in the Companies Law, exempt in advance any of its officers from all or part of their responsibilities due to breach of their duty of care to it, however, in accordance with Sections 259(b) and 311 of the Companies Law, the Company may not exempt in advance a Director from its responsibilities to it due to a breach of the duty of care in distribution.

36. Liability Insurance

Subject to the provisions of the Companies Law, the Company may, by resolution reached in the manner set forth in the Companies Law, obtain liability insurance for an officer of the Company due to liability he may incur as the result of an action performed in his position as an officer, entirely or partially, in each of the following:

(a) Breach of duty of care towards the Company or towards another person;

(b) Breach of his duty of trust to the Company, as long as the officer acted in good faith and had a reasonable basis to presume that his action will not be detrimental to the Company;

(c) A financial obligation that he will be subject to for the benefit of another person.

37. Indemnity

Subject to the provisions of the Companies Law, the Company may, by resolution reached in the way set forth in the Companies Law, indemnify an officer for a financial obligation or expense as set forth in paragraphs (a), (b) and (c) below, which the officer made or was subject to due to an action performed in his position as an officer:

(a) A financial obligation he was subjected to for the benefit of another person by court ruling, including court rulings made following a compromise or an arbitrator's ruling authorized by a court, as long as the commitment to indemnify be limited to events that, in the Board's opinion, are expected in light of the Company's actual activities when the commitment to indemnify was given, and to a sum or to a degree that the Board deemed reasonable under the circumstances, and that in the commitment to indemnify will be stated those events that in the Board's opinion are to be expected in light of the Company's actual activities at the time the commitment was made and also the sum or the degree which the Board deemed reasonable under the circumstances;

(b) Reasonable litigation expenses including lawyer's fees, which the officer incurred as a result of an investigation or a procedure held against him by an authority authorized to conduct such investigation or procedure, and that were concluded without the filing of an indictment against him but with the imposition of a financial liability instead of criminal procedures for offences that do not require proof of criminal intent;

In this article - the conclusion of procedures without the filing of an indictment in a matter for which a criminal investigation was opened - means the closing of a case in accordance with Section 62 of the Criminal Procedure Law (combined version), 1982 (hereinafter in this paragraph: the "**Criminal Procedure Law**") or stay of procedures by the Attorney General under Section 231 of the Criminal Procedure Law. "A financial liability instead of criminal proceedings" - A financial liability imposed by law as an alternative to criminal proceedings, including an administrative fine under the Administrative Offences Law, 1985, a fine for an offence deemed a finable offence under the provisions of the Criminal Procedure Law, a financial sanction or a financial penalty;

(c) Reasonable litigation expenses including lawyer's fees, which the officer incurred or that a court ruled he must pay, in a procedure instigated against him by the Company or in its name or by another person, or in a criminal charge from which he was found cleared, or in a criminal charge in which he was convicted for a crime that does not require proof of criminal intent.

38. Binding the Company

38.1. The signature of any person who has been appointed by the Board from time to time, either generally or for a specific case, whether by himself or together with additional persons, together with the Company's seal or stamp will bind the Company.

38.2. The Board may determine different signatory rights for different dealings of the Company and set the financial limitations for which each signatory is authorised to sign.

39. Amendment of these Articles of Association

These Articles of Association may be amended by resolution the shareholders in the general assembly, by regular majority of votes of the participating shareholders, and notwithstanding all of the above in these Articles of Association, the passing of a resolution that constitutes an amendment of a provision of these Articles of Association, directly or indirectly, will require the resolution of the shareholders in the general assembly, in a regular majority of the votes of the participating shareholders.

Exhibit 4.36

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

PLACEMENT AGENT WARRANT TO PURCHASE ORDINARY SHARES REPRESENTED BY AMERICAN DEPOSITARY SHARES

CAN-FITE BIOPHARMA LTD.

Warrant No.: 2019 January - __

Initial Exercise Date: January 23, 2019
Issuance Date: January 23, 2019

Number of American Depositary Shares: _____

THIS PLACEMENT AGENT WARRANT TO PURCHASE ORDINARY SHARES REPRESENTED BY AMERICAN DEPOSITARY SHARES (the "Warrant") certifies that, for value received, _____ or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after January 23, 2019 (the "Initial Exercise Date") and on or prior to 5:00 p.m. (New York City time) on January 18, 2024 (the "Termination Date") but not thereafter, to subscribe for and purchase from Can-Fite BioPharma Ltd., an Israeli limited company (the "Company"), up to _____ Ordinary Shares (the "Warrant Shares") represented by _____[1] American Depositary Shares ("ADSs"), as subject to adjustment hereunder (the "Warrant ADSs"). The purchase price of one Warrant ADS shall be equal to the Exercise Price, as defined in Section 2(b). This Warrant is issued pursuant to the Engagement Agreement, dated January 15, 2019, between the Company and H.C. Wainwright & Co., LLC.

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "Purchase Agreement"), dated January 18, 2019 among the Company and the purchasers signatory thereto.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) and the Depositary of a duly executed facsimile copy (or *.pdf* copy via e-mail) of the Notice of Exercise in the form annexed hereto (the "Notice of Exercise"). Within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined in Section 2(d)(i) herein) following the date of exercise as aforesaid the Holder shall deliver the aggregate Exercise Price of the Warrant ADSs thereby purchased by wire transfer or cashier's check drawn on a United States bank or, if available, pursuant to the cashless exercise procedure specified in Section 2(c) below. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant ADSs available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant ADSs available hereunder shall have the effect of lowering the outstanding number of Warrant ADSs purchasable hereunder in an amount equal to the applicable number of Warrant ADSs purchased. The Holder and the Company shall maintain records showing the number of Warrant ADSs purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Trading Day of receipt of such notice. The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant ADSs hereunder, the number of Warrant ADSs available for purchase hereunder at any given time may be less than the amount stated on the face hereof.

[1] 2 Ordinary Shares for each ADS.

b) Exercise Price. The exercise price per ADS under this Warrant shall be $**1.30**, subject to adjustment hereunder (the "Exercise Price").

c) Cashless Exercise. If at any time after the 6-month anniversary of the Issuance Date there is no effective Registration Statement registering, or no current prospectus available for, the resale of the Warrant ADSs by the Holder, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant ADSs equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = as applicable: (i) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise if such Notice of Exercise is (1) both executed and delivered pursuant to Section 2(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 2(a) hereof on a Trading Day prior to the opening of "regular trading hours" (as defined in Rule 600(b)(64) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) at the option of the Holder, either (y) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise or (z) the Bid Price of the ADSs on the principal Trading Market as reported by Bloomberg L.P. as of the time of the Holder's execution of the applicable Notice of Exercise if such Notice of Exercise is executed during "regular trading hours" on a Trading Day and is delivered within two (2) hours thereafter (including until two (2) hours after the close of "regular trading hours" on a Trading Day) pursuant to Section 2(a) hereof or (iii) the VWAP on the date of the applicable Notice of Exercise if the date of such Notice of Exercise is a Trading Day and such Notice of Exercise is both executed and delivered pursuant to Section 2(a) hereof after the close of "regular trading hours" on such Trading Day;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant ADSs that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

"Bid Price" means, for any date, the price determined by the first of the following clauses that applies: (a) if the ADSs are then listed or quoted on a Trading Market, the bid price of the ADSs for the time in question (or the nearest preceding date) on the Trading Market on which the ADSs are then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the ADSs for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the ADSs not then listed or quoted for trading on OTCQB or OTCQX and if prices for the ADSs are then reported in the "Pink Sheets" published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the ADSs so reported, or (d) in all other cases, the fair market value of an ADSs as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the ADSs then listed or quoted on a Trading Market, the daily volume weighted average price of the ADSs for such date (or the nearest preceding date) on the Trading Market on which the ADSs then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the ADSs for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the ADSs not then listed or quoted for trading on OTCQB or OTCQX and if prices for the ADSs are then reported in the "Pink Sheets" published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per ADS so reported, or (d) in all other cases, the fair market value of an ADS as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

If Warrant ADSs are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant ADSs shall take on the characteristics of the Warrants being exercised, and the holding period of the Warrants being exercised may be tacked on to the holding period of the Warrant ADSs. The Company agrees not to take any position contrary to this Section 2(c).

d) Mechanics of Exercise.

i. Delivery of Warrant ADSs Upon Exercise. Within 1 Trading day of the date that a Notice of Exercise is delivered to the Company, the Company shall deposit the Warrant Shares subject to such exercise with The Bank of New York Mellon, the Depositary for the ADSs (the "Depositary") and instruct the Depositary to credit the account of the Holder's prime broker with The Depository Trust Company through its Deposit/Withdrawal At Custodian system ("DWAC") if the Depositary is then a participant in such system and either (A) there is an effective registration statement registering for resale of the Warrant Shares represented by the Warrant ADSs by the Holder or (B) the Warrant Shares represented by the Warrant ADSs are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144 and the Warrant ADSs have been sold by the Holder prior to the Warrant ADS Delivery Date (as defined below), and otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise, by the date that is the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period after the delivery to the Company of the Notice of Exercise (such date, the "Warrant ADS Delivery Date"). If the Warrant ADSs can be delivered via DWAC, then in addition to the delivery of the Warrant Shares to the Depositary, within one (1) Trading Day of the applicable exercise, the Depositary shall have received from the Company any legal opinions or other documentation required by the Depositary to deliver such ADSs without legend and, if applicable and requested by the Company prior to the Warrant ADS Delivery Date, the Depositary shall have received from the Holder a confirmation of sale of the Warrant ADSs (provided the requirement of the Holder to provide a confirmation as to the sale of Warrant ADSs shall not be applicable to the issuance of unlegended Warrant ADS's upon a cashless exercise of this Warrant if the Warrant ADSs are then eligible for resale pursuant to Rule 144(b)(1)). The Warrant Shares represented by the Warrant ADSs shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become the beneficial owner of such Warrant Shares represented by the Warrant ADSs for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by cashless exercise, if permitted) and all taxes required to be paid by the Holder, if any, pursuant to Section 2(d)(vi) prior to the issuance of such Warrant ADSs having been paid. As used herein, "Standard Settlement Period" means the standard settlement period, expressed in a number of Trading Days, on the Company's primary Trading Market with respect to the ADSs as in effect on the date of delivery of the Notice of Exercise.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant ADSs, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant ADSs called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant ADSs pursuant to Section 2(d)(i) by the Warrant ADS Delivery Date, then the Holder will have the right to rescind such exercise; provided, however, that the Holder shall be required to return any Warrant ADSs or Warrant Shares subject to any such rescinded exercise notice concurrently with the return to Holder of the aggregate Exercise Price paid to the Company for such Warrant ADSs and the restoration of Holder's right to acquire such Warrant ADSs pursuant to this Warrant (including, issuance of a replacement warrant certificate evidencing such restored right).

iv. Compensation for Buy-In on Failure to Timely Deliver Warrant ADSs Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Depositary to deliver to the Holder the Warrant ADSs in accordance with the provisions of Section 2(d)(i) above pursuant to an exercise on or before the Warrant ADS Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, ADSs to deliver in satisfaction of a sale by the Holder of the Warrant ADSs which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the ADSs so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant ADSs that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant ADSs for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of ADSs that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases ADSs having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of ADSs with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver ADSs upon exercise of the Warrant as required pursuant to the terms hereof.

v. No Fractional Shares or Scrip. No fractional Warrant Shares or Warrant ADSs shall be issued upon the exercise of this Warrant. As to any fraction of an ADS which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole ADS.

vi. Charges, Taxes and Expenses. Issuance of Warrant ADSs shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of Warrant ADSs, all of which taxes and expenses shall be paid by the Company, and such Warrant ADSs shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event that Warrant ADSs are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Depositary fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vii. Closing of Books. The Company will not close its shareholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

e) Holder's Exercise Limitations. Notwithstanding anything to the contrary contained herein, the Company shall not effect the exercise of any portion of this Warrant, and the Holder shall not have the right to exercise any portion of this Warrant, pursuant to the terms and conditions of this Warrant and any such exercise shall be null and void and treated if never made, to the extent that after giving effect to such exercise, the Holder together with the other Attribution Parties collectively would beneficially own in excess of 4.99% (the "Maximum Percentage") of the number of Ordinary Shares outstanding immediately after giving effect to such exercise. For purposes of the foregoing sentence, the aggregate number of Ordinary Shares beneficially owned by the Holder and the other Attribution Parties shall include the number of Ordinary Shares underlying ADSs held by the Holder and all other Attribution Parties plus the number of Ordinary Shares underlying ADSs issuable upon exercise of this Warrant with respect to which the determination of such sentence is being made, but shall exclude the number of Ordinary Shares underlying ADSs which would be issuable upon (A) exercise of the remaining, unexercised portion of this Warrant beneficially owned by the Holder or any of the other Attribution Parties and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company beneficially owned by the Holder or any other Attribution Party subject to a limitation on conversion or exercise analogous to the limitation contained in this Section 3(e). For purposes of this Section 3(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act. For purposes of this Warrant, in determining the number of Ordinary Shares underlying ADSs the Holder may acquire upon the exercise of this Warrant without exceeding the Maximum Percentage, the Holder may rely on the number of Ordinary Shares as reflected in (x) the Company's most recent Annual Report on Form 20-F, Current Report on Form 6-K or other public filing with the Commission, as the case may be, (y) a more recent public announcement by the Company or (3) any other written notice by the Company setting forth the number of Ordinary Shares outstanding (the "Reported Outstanding Share Number"). If the Company receives an Exercise Notice from the Holder at a time when the actual number of outstanding Ordinary Shares is less than the Reported Outstanding Share Number, the Company shall (i) notify the Holder in writing of the number of Ordinary Shares then outstanding and, to the extent that such Exercise Notice would otherwise cause the Holder's beneficial ownership, as determined pursuant to this Section 2(e), to exceed the Maximum Percentage, the Holder must notify the Company of a reduced number of Warrant ADSs to be purchased pursuant to such Exercise Notice (the number of shares by which such purchase is reduced, the "Reduction Shares") and (ii) as soon as reasonably practicable, the Company shall return to the Holder any exercise price paid by the Holder for the Reduction Shares. For any reason at any time, upon the written or oral request of the Holder, the Company shall within one (1) Business Day confirm orally and in writing or by electronic mail to the Holder the number of Ordinary Shares then outstanding. In any case, the number of outstanding Ordinary Shares shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder and any other Attribution Party since the date as of which the Reported Outstanding Share Number was reported. In the event that the issuance of Ordinary Shares to the Holder upon exercise of this Warrant results in the Holder and the other Attribution Parties being deemed to beneficially own, in the aggregate, more than the Maximum Percentage of the number of outstanding Ordinary Shares (as determined under Section 13(d) of the Exchange Act), the number of shares so issued by which the Holder's and the other Attribution Parties' aggregate beneficial ownership exceeds the Maximum Percentage (the "Excess Shares") shall be deemed null and void and shall be cancelled ab initio, and the Holder shall not have the power to vote or to transfer the Excess Shares. As soon as reasonably practicable after the issuance of the Excess Shares has been deemed null and void, the Company shall return to the Holder the exercise price paid by the Holder for the Excess Shares. Upon delivery of a written notice to the Company, the Holder may from time to time increase (with such increase not effective until the sixty-first (61st) day after delivery of such notice) or decrease the Maximum Percentage to any other percentage not in excess of 9.99% as specified in such notice; provided that (i) any such increase in the Maximum Percentage will not be effective until the sixty-first (61st) day after such notice is delivered to the Company and (ii) any such increase or decrease will apply only to the Holder and the other Attribution Parties and not to any other holder of Warrants that is not an Attribution Party of the Holder. For purposes of clarity, the Ordinary Shares issuable pursuant to the terms of this Warrant in excess of the Maximum Percentage shall not be deemed to be beneficially owned by the Holder for any purpose including for purposes of Section 13(d) or Rule 16a-1(a)(1) of the Exchange Act. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 3(e) to the extent necessary to correct this paragraph or any portion of this paragraph which may be defective or inconsistent with the intended beneficial ownership limitation contained in this Section 2(e) or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitation contained in this paragraph may not be waived and shall apply to a successor holder of this Warrant. "Attribution Parties" means, collectively, the following Persons and entities: (i) any investment vehicle, including, any funds, feeder funds or managed accounts, currently, or from time to time after the issuance date, directly or indirectly managed or advised by the Holder's investment manager or any of its Affiliates or principals, (ii) any direct or indirect Affiliates of the Holder or any of the foregoing, (iii) any Person acting or who could be deemed to be acting as a group together with the Holder or any of the foregoing and (iv) any other Persons whose beneficial ownership of the Company's Ordinary Shares would or could be aggregated with the Holder's and the other Attribution Parties for purposes of Section 13(d) of the Exchange Act. For clarity, the purpose of the foregoing is to subject collectively the Holder and all other Attribution Parties to the Maximum Percentage.

Section 3. Certain Adjustments.

a) Share Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a share dividend or otherwise makes a distribution or distributions on its Ordinary Shares or ADSs or any other equity or equity equivalent securities payable in Ordinary Shares or ADSs (which, for avoidance of doubt, shall not include any ADSs issued by the Company upon exercise of this Warrant), as applicable, (ii) subdivides outstanding Ordinary Shares or ADSs into a larger number of shares or ADSs, as applicable, (iii) combines (including by way of reverse share split) outstanding Ordinary Shares or ADSs into a smaller number of shares or ADSs, as applicable, or (iv) issues by reclassification of Ordinary Shares, ADSs or any shares of capital stock of the Company, as applicable, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of ADSs (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of ADSs outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) [RESERVED]

c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Ordinary Share Equivalents or rights to purchase shares, warrants, securities or other property pro rata to the record holders of any class of Ordinary Shares or ADSs (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of Ordinary Shares or ADSs acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Maximum Percentage) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Ordinary Shares or ADSs are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such ADSs as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Maximum Percentage).

d) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution (other than cash) of its assets (or rights to acquire its assets) to holders of Ordinary Shares or ADSs, by way of return of capital or otherwise (including, without limitation, any distribution of shares or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of Ordinary Shares or ADSs acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Maximum Percentage) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of Ordinary Shares or ADSs are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any Ordinary Shares or ADSs as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Maximum Percentage).

e) Fundamental Transactions. The Company shall not enter into or be party to a Fundamental Transaction (as defined below) unless the Successor Entity (as defined below) assumes in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements, including agreements, if so requested by the Holder, to deliver to each holder of the Warrants in exchange for such Warrants a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant, including, without limitation, an adjusted exercise price equal to the value for the Ordinary Shares reflected by the terms of such Fundamental Transaction, and exercisable for a corresponding number of shares of capital stock equivalent to the Ordinary Shares represented by ADSs acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the Ordinary Shares pursuant to such Fundamental Transaction and the value of such shares of capital stock, such adjustments to the number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction). Any security issuable or potentially issuable to the Holder pursuant to the terms of this Warrant on the consummation of a Fundamental Transaction shall be registered and freely tradable by the Holder without any restriction or limitation or the requirement to be subject to any holding period pursuant to any applicable securities laws if any securities issued to any other equityholder of the Company are registered on Form F-4 or any successor form. Upon the occurrence or consummation of any Fundamental Transaction, and it shall be a required condition to the occurrence or consummation of any Fundamental Transaction that, the Company and the Successor Entity or Successor Entities, jointly and severally, shall succeed to, and the Company shall cause any Successor Entity or Successor Entities to jointly and severally succeed to, and be added to the term "Company" under this Warrant (so that from and after the date of such Fundamental Transaction, each and every provision of this Warrant referring to the "Company" shall refer instead to each of the Company and the Successor Entity or Successor Entities, jointly and severally), and the Company and the Successor Entity or Successor Entities, jointly and severally, may exercise every right and power of the Company prior thereto and shall assume all of the obligations of the Company prior thereto under this Warrant with the same effect as if the Company and such Successor Entity or Successor Entities, jointly and severally, had been named as the Company in this Warrant, and, solely at the request of the Holder, if the Successor Entity and/or Successor Entities is a publicly traded corporation whose common stock is quoted on or listed for trading on a Trading Market in the United States, shall deliver (in addition to and without limiting any right under this Warrant) to the Holder in exchange for this Warrant a security of the Successor Entity and/or Successor Entities evidenced by a written instrument substantially similar in form and substance to this Warrant and exercisable for a corresponding number of shares of capital stock of the Successor Entity and/or Successor Entities (the "Successor Capital Stock") equivalent to the Ordinary Shares underlying the ADSs acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction (such corresponding number of shares of Successor Capital Stock to be delivered to the Holder shall be equal to the quotient of (i) the aggregate dollar value of all consideration (including cash consideration and any consideration other than cash ("Non-Cash Consideration"), in such Fundamental Transaction, as such values are set forth in any definitive agreement for the Fundamental Transaction that has been executed at the time of the first public announcement of the Fundamental Transaction or, if no such value is determinable from such definitive agreement, as determined in accordance with Section 5(a) with the term "Non-Cash Consideration" being substituted for the term "Exercise Price") that the Holder would have been entitled to receive upon the happening of such Fundamental Transaction or the record, eligibility or other determination date for the event resulting in such Fundamental Transaction, had this Warrant been exercised immediately prior to such Fundamental Transaction or the record, eligibility or other determination date for the event resulting in such Fundamental Transaction (without regard to any limitations on the exercise of this Warrant) divided by (ii) the per share closing sale price of such corresponding capital stock on the Trading Day immediately prior to the consummation or occurrence of the Fundamental Transaction), and with an identical exercise price to the Exercise Price hereunder (such adjustments to the number of shares of capital stock and such exercise price being for the purpose of protecting after the consummation or occurrence of such Fundamental Transaction the economic value of this Warrant that was in effect immediately prior to the consummation or occurrence of such Fundamental Transaction, as elected by the Holder solely at its option). Upon occurrence or consummation of the Fundamental Transaction, and it shall be a required condition to the occurrence or consummation of such Fundamental Transaction that, the Company and the Successor Entity or Successor Entities shall deliver to the Holder confirmation that there shall be issued upon exercise of this Warrant at any time after the occurrence or consummation of the Fundamental Transaction, as elected by the Holder solely at its option, ADSs, Successor Capital Stock or, in lieu of the ADSs or Successor Capital Stock (or other securities, cash, assets or other property purchasable upon the exercise of this Warrant prior to such Fundamental Transaction), such shares of stock, securities, cash, assets or any other property whatsoever (including warrants or other purchase or subscription rights), which for purposes of clarification may continue to be ADSs, if any, that the Holder would have been entitled to receive upon the happening of such Fundamental Transaction or the record, eligibility or other determination date for the event resulting in such Fundamental Transaction, had this Warrant been exercised immediately prior to such Fundamental Transaction or the record, eligibility or other determination date for the event resulting in such Fundamental Transaction (without regard to any limitations on the exercise of this Warrant), as adjusted in accordance with the provisions of this Warrant. In addition to and not in substitution for any other rights hereunder, prior to the occurrence or consummation of any Fundamental Transaction pursuant to which holders Ordinary Shares or ADSs are entitled to receive securities, cash, assets or other property with respect to or in exchange for Ordinary Shares or ADSs (a "Corporate Event"), the Company shall make appropriate provision to insure that, and any applicable Successor Entity or Successor Entities shall ensure that, and it shall be a required condition to the occurrence or consummation of such Corporate Event that, the Holder will thereafter have the right to receive upon exercise of this Warrant at any time after the occurrence or consummation of the Corporate Event, ADSs or Successor Capital Stock or, if so elected by the Holder, in lieu of ADSs (or other securities, cash, assets or other property) purchasable upon the exercise of this Warrant prior to such Corporate Event (but not in lieu of such items still issuable under Sections 3(c) and 3(d), which shall continue to be receivable on the ADSs or on the such shares of stock, securities, cash, assets or any other property otherwise receivable with respect to or in exchange for ADSs), such shares of stock, securities, cash, assets or any other property whatsoever (including warrants or other purchase or subscription rights and any Ordinary Shares) which the Holder would have been entitled to receive upon the occurrence or consummation of such Corporate Event or the record, eligibility or other determination date for the event resulting in such Corporate Event, had this Warrant been exercised immediately prior to such Corporate Event or the record, eligibility or other determination date for the event resulting in such Corporate Event (without regard to any limitations on exercise

of this Warrant). The provisions of this Section 3(e) shall apply similarly and equally to successive Fundamental Transactions and Corporate Events. "Fundamental Transaction" means (A) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Person, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company or any of its "significant subsidiaries" (as defined in Rule 1-02 of Regulation S-X) to one or more Persons, or (iii) make, or allow one or more Persons to make, or allow the Company to be subject to or have its Ordinary Shares be subject to or party to one or more persons making, a purchase, tender or exchange offer that is accepted by the holders of at least either (x) 50% of the outstanding Ordinary Shares, (y) 50% of the outstanding Ordinary Shares calculated as if any Ordinary Shares held by all Persons making or party to, or Affiliated with any Persons making or party to, such purchase, tender or exchange offer were not outstanding; or (z) such number of Ordinary Shares such that all Persons making or party to, or Affiliated with any Person making or party to, such purchase, tender or exchange offer, become collectively the beneficial owners (as defined in Rule 13d-3 under the Exchange Act) of at least 50% of the outstanding Ordinary Shares, or (iv) consummate a securities purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with one or more Persons whereby all such Persons, individually or in the aggregate, acquire, either (x) at least 50% of the outstanding Ordinary Shares, (y) at least 50% of the outstanding Ordinary Shares calculated as if any Ordinary Shares held by all the Persons making or party to, or Affiliated with any Person making or party to, such securities purchase agreement or other business combination were not outstanding; or (z) such number of Ordinary Shares such that the Persons become collectively the beneficial owners (as defined in Rule 13d-3 under the Exchange Act) of at least 50% of the outstanding Ordinary Shares, or (v) reorganize, recapitalize or reclassify its Ordinary Shares such that such modified Ordinary Shares no longer have the residual right to dividends or distributions from the Company or the residual right to vote on matters given to the common shareholders under Israeli law, (B) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, allow any Person individually or the Persons in the aggregate to be or become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, whether through acquisition, purchase, assignment, conveyance, tender, tender offer, exchange, reduction in outstanding Ordinary Shares, merger, consolidation, business combination, reorganization, recapitalization, spin-off, scheme of arrangement, reorganization, recapitalization or reclassification or otherwise in any manner whatsoever, of either (x) at least 50% of the aggregate ordinary voting power represented by issued and outstanding Ordinary Shares, (y) at least 50% of the aggregate ordinary voting power represented by issued and outstanding Ordinary Shares not held by all such Persons as of the date of this Warrant calculated as if any Ordinary Shares held by all such Persons were not outstanding, or (z) a percentage of the aggregate ordinary voting power represented by issued and outstanding Ordinary Shares or other equity securities of the Company sufficient to allow such Persons to effect a statutory short form merger or other transaction requiring other shareholders of the Company to surrender their Ordinary Shares without approval of the shareholders of the Company or (C) directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, the issuance of or the entering into any other instrument or transaction structured in a manner to circumvent, or that circumvents, the intent of this definition in which case this definition shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this definition to the extent necessary to correct this definition or any portion of this definition which may be defective or inconsistent with the intended treatment of such instrument or transaction. Notwithstanding anything contained herein, any transaction which results in a Company subsidiary that is not wholly-owned by the Company becoming a wholly-owned subsidiary of the Company shall not be considered a "Fundamental Transaction" and shall not otherwise trigger any adjustment or rights under this Warrant. "Successor Entity" means one or more Person or Persons (or, if so elected by the Holder, the Company or Parent Entity (as defined below)) formed by, resulting from or surviving any Fundamental Transaction or one or more Person or Persons (or, if so elected by the Holder, the Company or the Parent Entity) with which such Fundamental Transaction shall have been entered into. "Parent Entity" of a Person means an entity that, directly or indirectly, controls the applicable Person, including such entity whose common stock or equivalent equity security is quoted or listed on a Trading Market, or, if there is more than one such Person or such entity, such Person or entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of an ADS, as the case may be. For purposes of this Section 3, the number of Ordinary Shares deemed to be issued and outstanding as of a given date shall be the sum of the number of Ordinary Shares (excluding treasury shares, if any) issued and outstanding.

g) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly mail to the Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant ADSs and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Ordinary Shares, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Ordinary Shares or ADSs, (C) the Company shall authorize the granting to all holders of the Ordinary Shares or ADSs rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any shareholders of the Company shall be required in connection with any reclassification of the Ordinary Shares or ADSs, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Ordinary Shares are converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Ordinary Shares or ADSs of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Ordinary Shares of record shall be entitled to exchange their Ordinary Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided in this Warrant constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Report on Form 6-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4. Transfer of Warrant.

a) a) Transferability. Pursuant to FINRA Rule 5110(g)(1), neither this Warrant nor any Warrant ADS issued upon exercise of this Warrant shall be sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the date of effectiveness or commencement of sales of the offering pursuant to which this Warrant is being issued, except the transfer of any security:

i. by operation of law or by reason of reorganization of the Company;

ii. to any FINRA member firm participating in the offering and the officers and partners thereof, if all securities so transferred remain subject to the lock-up restriction in this Section 4(a) for the remainder of the time period;

iii. if the aggregate amount of securities of the Company held by the placement agent and related persons do not exceed 1% of the securities being offered;

iv. that is beneficially owned on a pro-rata basis by all equity owners of an investment fund, provided that no participating member manages or otherwise directs investments by the fund, and participating members in the aggregate do not own more than 10% of the equity in the fund; or

v. the exercise or conversion of any security, if all securities received remain subject to the lock-up restriction in this Section 4(a) for the remainder of the time period.

Subject to the foregoing restriction and subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof and to the provisions of Section 4.1 of the Purchase Agreement,, this Warrant and all rights hereunder are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date the Holder delivers an assignment form to the Company assigning this Warrant in full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant ADSs without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the Issue Date and shall be identical with this Warrant except as to the number of Warrant ADSs issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, comply with the provisions of the Purchase Agreement, including Section 4.13 thereof.

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant ADSs issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant ADSs or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) [RESERVED]

b) No Rights as Shareholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a shareholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i), except as expressly set forth in Section 3.

c) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant ADSs, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

d) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

e) Authorized Shares.

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Ordinary Shares and a sufficient number of shares to provide for the issuance of the Warrant ADSs and underlying Ordinary Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant ADSs may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the applicable Trading Market upon which the Ordinary Shares and ADSs may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant ADSs in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant ADSs for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

f) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

g) Restrictions. The Holder acknowledges that the Warrant Shares and Warrant ADSs acquired upon the exercise of this Warrant, if not registered and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

h) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

i) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the address for the Holder appears in the Company's Warrant Register.

j) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant ADSs, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Ordinary Shares or ADSs or as a shareholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

k) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

l) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant ADSs.

m) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

n) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

o) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

CAN-FITE BIOPHARMA LTD.

By: _____
Name:
Title:

NOTICE OF EXERCISE

TO: CAN-FITE BIOPHARMA LTD.
THE BANK OF NEW YORK MELLON

(1) The undersigned hereby elects to purchase _____ Warrant ADSs of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

☐ in lawful money of the United States; or

☐ if permitted the cancellation of such number of Warrant ADSs as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant ADSs purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please register and issue said Warrant ADSs in the name of the undersigned or in such other name as is specified below:

DTC Participant name and number: _____
Contact of DTC Participant: _____
Telephone Number of Participant Contact: _____

(4) Accredited Investor. If the Warrant is being exercised via cash exercise, the undersigned is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____
Signature of Authorized Signatory of Investing Entity: _____
Name of Authorized Signatory: _____
Title of Authorized Signatory: _____
Date: _____

EXHIBIT B

ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase Warrant ADSs.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name: _____
(Please Print)

Address: _____
(Please Print)

Dated: _____ __, _____

Holder's Signature: _____

Holder's Address: _____

Exhibit 5.1

Eli Doron, Adv. & Notary
Ronen Kantor, Adv.
Amit Gross, Adv. & Notary
Giora Gutman, Adv.
Rachel (Goren) Cavallero, Adv.
Gil Mor, Adv. & Notary**
Sharon Fishman, Adv. & Notary
Moti Hoffman, Adv. & Notary
Efrat Hamami, Adv.
Tamir Kalderon, Adv.

Asaf Gershgoren, Adv. & economist
Efi Ohana, Adv.& economist
Asaf Hofman, Adv & economist.
Ron Soulema, Adv.
Moti Philip, Adv.
Sagiv Bar Shalom, Adv.
Ori Perel, Adv.
David Rozen, Adv.
Israel Mark, Adv.
Amir Bar Dayan, Adv.
Sandrine Dray, Adv. & Notary***
Nahi Hamud, Adv.
Shmulik Cohen, Adv.
Yair Messalem, Adv.
Maayan Peled, Adv.
Igal Rosenberg, Adv.
Gili Yasu, Adv. & Notary
Tmoora Detsch Kaufman, Adv.
Lilach Cohen-Shamir, Adv.
Orly Pharan, Adv.
Rotem Nissim, Adv.
Orit Peper, Adv.
Rivka Mangoni, Adv.
Israel Asaraf, Adv. & Notary
Jossef Prins, Adv.
Shay Almakies, Adv.& Notary
Yael Porat Kotzer, Adv.
Gali Ganoni, Adv.
Hadas Garoosi Wolfsthal, Adv.
Odelia Cohen-Schondorf, Adv.
Hasan Hasan, Adv.
Yana Shapiro Orbach, Adv.
Ronit Rabinovich, Adv.
Nidal Siaga, Adv.
Avi Cohen, Adv.
Amit Moshe Cohen, Adv.
Sonny Knaz, Adv.
Bat-El Ovadia, Adv.
Aharon Eitan, Adv.
Rania Elime, Adv.
Sivan Kaufman, Adv.
Mor Rozenson, Adv.
Iris Borcom, Adv.
Inbal Naim, Adv.
Sivan Feldhamer, Adv.
Meital Graff, Adv.
Amir Keren, Adv.
Ariel Regev, Adv.
Michal Zamir-Polani, Adv.
Inbal Harel Gershon, Adv.
Shirli Rahmani, Adv.
Omer Katzir, Adv. & economist
Hezi-Nir Sidon, Adv.
Hadar Weizner, Adv.& economist
Yaniv Levi, Adv.
Noy Keren, Adv.
Avi Kababgian., Adv.
Or Yahal Asbag, Adv.

Eli Kulas. Adv. Notary & Mediator- Counselor
Jan Robinsohn,M.Jur. Adv. & Notary - Counselor ****
Giora Amir, Adv. Notary- Counselor

*Member of the New York State Bar
**Member of the Law Society in England & Wales
*** Accredited by the consulate of France
****Honorary Consul Of The Republic Of Poland(ret.)

Petach-Tikva, February 15, 2019

To: Can-Fite Biopharma Ltd.
10 Bareket Street
Kiryat Matalon, P.O. Box 7537
Petach-Tikva 4951778, Israel

Ladies and Gentlemen,

Re: **REGISTRATION STATEMENT ON FORM F-1**

We have acted as Israeli counsel to Can-Fite Biopharma Ltd. (the "**Company**"), a company organized under the laws of the State of Israel. As such, we have participated in the preparation of the Company's registration statement on Form F-1 (the "**Registration Statement**") relating to the registration under the United States Securities Act of 1933, as amended, of the offering for resale by the selling shareholders listed therein of up to an aggregate 4,700,002 ordinary shares, par value NIS 0.25 per share of the Company (the "**Ordinary Shares**") represented by 2,350,001 American Depository Shares ("**ADSs**"), consisting of (i) 4,476,192 Ordinary Shares represented by 2,238,096 ADSs issuable upon the exercise of warrants originally issued in a private placement on January 2019 ("**Investor Warrants**"), and (ii) 223,810 ordinary shares represented by 111,905 ADSs issuable upon the exercise of placement agent warrants issued in connection with the private placement in January 2018 (the "**Placement Agent Warrants**").

As counsel to the Company in Israel, we have examined copies of the Articles of Association, as amended, of the Company and such corporate records, instruments, and other documents relating to the Company and such matters of law as we have considered necessary or appropriate for the purpose of rendering this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity to authentic originals of all documents submitted to us as copies.

Based on the foregoing, and subject to the assumptions, limitations and qualifications set forth herein, we are of the opinion that the Ordinary Shares underlying the Investor Warrants and Placement Agent Warrants, when paid for and issued pursuant to the terms of the applicable warrants, will be duly authorized, legally issued, fully paid and non-assessable.

We are members of the Israeli bar, and the opinions expressed herein are limited to questions arising under the laws of the State of Israel, and we disclaim any opinion whatsoever with respect to matters governed by the laws of any other jurisdiction**.**

We consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name in the Registration Statement under the caption "Legal Matters". In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission**.**

Very truly yours,

/s/ Doron Tikotzky Kantor Gutman & Amit Gross

Doron Tikotzky Kantor Gutman & Amit Gross

Advocates & Notaries

mail@dtkgglaw.com
www.dtkgglaw.com
www.dt-law.co.il

Tel. 972-4-8353700 | Fax 972-4-8702477
ROMANIA: 7 Franklin, 1st District, Bucharest
CYPRUS: 9 Zenonos Kitieos St., 2406 Engomi, Nicosia

Tel. 972-3-7940700 | Fax +972-3-7467470
SRFK Manhattan, New York, Broadway 61, NY 10006

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Experts" in the Registration Statement Form F-1 (No. 333-) and related Prospectus of Can-Fite Biopharma Ltd. for the registration of up to 4,700,002 of its ordinary shares and to the incorporation by reference therein of our report dated August 8, 2018, with respect to the consolidated financial statement of Can-Fite Biopharma Ltd. included in the Report on Form 6-K filed with the Securities and Exchange Commission on August 8, 2018.

/s/ Kost Forer Gabbay & Kasierer

Tel-Aviv, Israel
February 15, 2019

Kost Forer Gabbay & Kasierer
A Member of Ernst & Young Global