

**Natural Resource Holdings Ltd.**  
**(“The Company”)**

Date July 10, 2017

For the attention of:  
The Securities Authority  
[www.isa.gov.il](http://www.isa.gov.il)

For the attention of:  
Tel Aviv Stock Exchange Ltd.  
[www.tase.co.il](http://www.tase.co.il)

Dear Sir(s)/ Madam,

Re: **An Ad hoc report and notice regarding the convening of the Company’s annual general assembly which also has on the agenda a transaction between the Company and their controlling shareholder and an exceptional private offer.**

In accordance with the Companies Law, 5759-1999 (hereinafter: “**the Companies Law**”) and with the Securities Law 5728-1968 (hereinafter: “the Securities Law”), and with the Securities Regulations on immediate and periodic reports, 5730-1970 (hereinafter: “**the Reports Regulations**”), and with the Securities Regulations on transactions between a company and their controlling shareholder 5751-2001 (hereinafter: “**the Regulations on transactions with a controlling shareholder**”), and with the Securities regulations on private offers to a registered Company 5760-2000 (hereinafter: “**the Private Offer Regulations**”), an amended notice is hereby granted regarding the convening of company’s annual general assembly which also has on the agenda a proposal to approve the Company’s engagement in a transaction in which the controlling shareholder has a personal interest and an exceptional private offer as detailed in Section 1.4 of this report.

**Matters on the agenda:**

- A. Presentation and discussion of the audited financial statements of the Company, with the attachment of the report of the Board of Directors on the status of company matters as of December 31, 2016. The financial statements were published by the Company on March 31, 2017 on the ISA website: [www.magna.isa.gov.il](http://www.magna.isa.gov.il) and of the Stock Exchange (Reference: 2017-01-034758): [www.maya.tase.co.il](http://www.maya.tase.co.il)
- B. Appointment of Directors - The reappointment of Mr. Roy Sabag (Chairman of the Board of Directors) and of Mr. Eran Mazor, and the appointment of Mr. Andres Finkielsztain to the Company’s Board of Directors, and the determination of their salary.
- C. The appointment of auditors for the year 2017. An offer to renew the appointment of the serving auditors: Strauss, Lazar and Co. Accounting as the Company’s auditors for an additional auditing period, until the next annual general assembly.
- D. Text of the proposed decisions, the details of the engagement with the controlling shareholder and its principal terms Approval of the Company’s engagement in a transaction in which the controlling shareholder has a personal interest, in which framework the controlling shareholder will present a credit line to the Company in

exchange for the exceptional private offer of the Company's shares to the controlling shareholder, as detailed in Section 1.4 of the report below.

1. **Text of the proposed decisions, the details of the engagement with the controlling shareholder and its principal terms**

1.1. **Discussion on the Company's audited financial statements, with the attachment of the report of the Board of Directors on the status of company matters from December 31, 2016 (hereinafter: "the financial statements")**

The financial statements were published by the Company on March 31, 2017, on the authority's website: [www.maya.tase.co.il](http://www.maya.tase.co.il) and of the Stock Exchange: [www.magna.isa.gov.il](http://www.magna.isa.gov.il) (Reference: 2017-01-034758)

1.2. **Appointment of directors**

Text of the proposed resolution: After each one of the esteemed gentlemen mentioned hereunder declares that they have the required skills and ability to devote the appropriate amount of time to fulfilling their role as Company director, detail their skills as mentioned, and also declare that they are not the subject of restrictions as provided for by articles 226 and 227 of the Companies Law, 5759-1999 (hereinafter "**the Companies Law**"), to appoint the directors specified in the decision below:

- 1.2.1. To reappoint Mr. Roy Sabag (Chairman of the Board), who is serving on the Company's Board of Directors at the time of this resolution;
- 1.2.2. To reappoint Mr. Eran Mazor, who is serving on the Company's Board of Directors at the time of this resolution;
- 1.2.3. To appoint Mr. Andres Finkielsztain as Director of the Company.

A separate vote will be organized regarding each of the candidates to serve on the Board of Directors.

The mentioned declarations are attached in **Appendix A** to this report.

For the record, it should be noted that the extension of Mrs. Vered Mor Porat's tenure as member of the Company's Board of Directors is not on the agenda and, therefore, Mrs. Mor Porat's tenure as member of the Company's Board of Directors will terminate on the date of the General Assembly.

It should be clarified that Mr. Eran Mazor is not entitled to receive a salary for his tenure as member of the Company's Board of Directors beyond the salary that is paid to him for his tenure as CFO and Secretary of the Company. It should also be clarified that Mr. Roy Sabag is not entitled to receive remuneration in respect of his position as CEO, director and Chairman of the Company's Board of Directors.

For Mr. Andres Finkielsztain's tenure as member of the Board of Directors of the Company, Mr. Finkielsztain shall be entitled to an annual remuneration and participation in the determined sums up to the amounts prescribed in the Second and Third Addenda of the Companies Regulations (Rules Regarding the Remuneration and Expenses for an External Director) 5760-2000 (hereinafter: "**Remuneration Regulations**"). For the details required pursuant to Regulation 26 of the Securities (Periodic and Ad hoc reports) Regulations, 5730-1970 regarding Mr. Roy Sabag and Mr. Eran Mazor, whose reappointment is on the agenda, please see the Company's periodic report for 2016, which was published on March 31, 2017 (Reference: 2017-01-034758). This reference constitutes a part of the reference included in the information on this matter in said periodic report.

To the best of the Company's knowledge, there were no changes to the details of the aforementioned Directors, as detailed in the Company's periodic report for 2016. Below are the details required pursuant to Regulation 26 of the Reports Regulations concerning Mr., Andres Finkielsztain, whose appointment has been proposed:

<b>Director's name:</b>	Andres Finkielsztain
<b>Passport number:</b>	502786801
<b>Date of birth:</b>	January 2, 1973
<b>Address for service of court documents:</b>	Julian Alvarez 2870 piso 6C, Buenos Aires, CP1425 Argentina
<b>Citizenship:</b>	United States
<b>Membership in a committee or in a board of directors committee:</b>	NONE
<b>External Director:</b>	No
<b>Is he an employee of the Company, their subsidiaries or affiliates, or of a party with an interest in them:<sup>1</sup></b>	No
<b>Start date of his service on the Board of Directors:</b>	
<b>Education:</b>	Economics graduate - Bard College
<b>Occupation during the past five years:</b>	Director of client portfolios in the company Soros Brothers Investments LLC.
<b>Corporations in which he serves on the Board of Directors:</b>	FINK & FINK II LLC
<b>To the best knowledge of the Company and that of their directors, is he a relative of another party with interest in the Company:</b>	No
<b>Is he a board member that the Company sees as an accounting or finances specialist for the purpose of upholding the minimal number that the Board of Directors determined in accordance with Section 92(a)(12) of the Companies Law:</b>	
<b>Is he an independent director:</b>	No
<b>Is he an external specialist director:</b>	No

### 1.3. **Appointing auditors for 2017**

Text of the proposed resolution: To renew the appointment of the serving auditors: Strauss, Lazar and Co. Accounting as the Company's auditors for an additional auditing period, until the next annual general assembly. In addition, a report will be provided regarding the fees for the account auditing (including for additional services) in accordance with the provisions of Sections 165(b) and 167(b) of the Companies Law.

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In this context, it should be noted that to the best of the Company's knowledge, Mr. Finkielsztain is employed by <sup>1</sup> Soros Brothers Investments LLC which is a fund that was founded by Mr. George Soros (hereinafter: "**the Soros Fund**"). The Soros Fund deals with, inter alia, various investments and investing, among other things, from time to time, during the last year, in various business initiatives in which the investor is also the controlling shareholder in the Company. In 2015, the Soros Foundation has also invested in Goldmoney Inc, a public company traded in Canada which is under the control of the controlling shareholder of the company. The Soros Foundation holds less than 5% of the share capital of Goldmoney Inc.

1.4. **Approval of the Company's engagement in a transaction in which the controlling shareholder has a personal interest**

**Background**

- 1.4.1. The Company is lacking financial resources and is in need of financial resources for the purpose of financing current operations.
- 1.4.2. In the years 2014 and 2015, the controlling shareholder provided financing for the company by means of a loan that was converted into Company shares (please see Paragraph 7 of this report).
- 1.4.3. At the beginning of 2017, the Company raised 1 million NIS from a foreign company, which serves to finance their current operations. With the exception of this fundraising, the Company has no other funding options, other than the one upheld by their controlling shareholder. The controlling shareholder has expressed willingness to again provide the Company with a line of credit of USD 400,000 for the purpose of financing current operations for the next two years, against the allocation of Company shares.

**The transaction is being raised for the Assembly's approval**

- 1.4.4. To approve, including as a framework transaction, in accordance with the Company Regulations on reducing burden when dealing with interested parties 5760-2000, the receiving of a credit line from the controlling shareholder in the amount of USD 400,000, as follows: A credit line, which will be used for the Company's current operations, as necessary. A credit line will be provided for the Company's use, from time to time, in accordance with their current needs and subject to a decision to be made by the Company's auditing committee.
- 1.4.5. The credit line, as well as any loan extended to the Company, when exhausted, will be linked to the dollar and will not carry any interest. The credit line will be available for the Company's use for a period of up to two years from the date of the general assembly's approval of the transaction.
- 1.4.6. The rest of the loans created through the credit line will be subject to the following instructions:
  - 1.4.6.1. Upon the payment of the balance of the credit line (as it shall be from time to time or any part thereof), the controlling shareholder shall be entitled to allocate shares at a conversion rate of 0.83 NIS per share. The times for conversions of loans to shares and allocation of shares to the controlling shareholder will be determined by the Board of the Company, at their sole discretion and as stated herein.

It should be clarified in this context that the Company will allocate to the controlling shareholder the shares to which they are entitled, and they will be listed for trading in 2 phases. Accordingly, the Company will not be required to turn to the Securities Stock Exchange with more than two requests for listing for the trading of the balance of the shares to which the controlling shareholder will be entitled following use of the credit line.

- 1.4.6.2. To clarify, the right to make a decision about converting to shares in the Company the rest of the loan that was deducted from the credit line (as it is from time to time) or any part of thereof will not be given to the controlling shareholder, or to any party to which they assign the rights, with the exception that the controlling shareholder wipes out the commitment of supplying the company with a credit line. It is a right given to the Company, and decisions in this matter will be made by the company's auditing board.
- 1.4.6.3. Any balance remaining from the loans at beyond 24 months from the time of the approval by the shareholders' general assembly will be converted on that date to company shares at the conversion rate mentioned above.
- 1.4.7. For the purpose of calculating exchange rates, any amount in dollars that will be placed by the controlling shareholder will be calculated in accordance with the known representing dollar rate on the date of the Board of Director's decision to approve the transaction (April 26, 2017), which stood at 3.648 NIS per dollar.
- 1.4.8. In the case of complete usage of the credit line by the company (USD 400,000), and in accordance with the representative dollar rate, as detailed above (3.648 NIS), the maximum amount of shares that will be allocated to the controlling shareholder of the Company in connection to the aforesaid credit line is of 1,758,072 ordinary shares of the Company.
- 1.4.9. If the controlling shareholder transfers to others their commitment to supply a credit line, as stated above, they are allowed to transfer their rights to receive stock against the payment of the credit line, as long as this does not bring prejudice to what is said in clause 1.4.6.2 herein.
- 1.4.10. To remove any doubt, the allocation of shares to the controlling shareholder against a credit line or any part thereof will not require additional confirmation of the shareholders in a general assembly, and this shareholders' approval, achieved by the required majority during a meeting convened on this matter, constitutes approval and agreement to allocate the said shares, with the complete usage of the credit line of up to 1,758,072 shares.

In this context it should be noted that the Company's controlling shareholder, who serves as Chairman of the Board of Directors and CEO of the Company, is not receiving a salary from the Company.

## 2. **Private offer**

### 2.1. **The Offeree of the private offer and the facts by which they are an interested party**

With the payment of the balance of the Credit Line, as it will be from time to time (or any part thereof), the Company shall allocate shares to Mr. Roy Sabag, the controlling shareholder in the Company (hereinafter also: "the Offeree") in accordance with the exchange rate of 0.83 NIS per share.

For the purpose of calculating the exchange rate, every amount in dollars placed by the controlling shareholder will be calculated in accordance with the representative dollar exchange rate that was known on the date the Board of

Directors made the decision to approve the transaction (April 26, 2017), which stood at 3.648 NIS per dollar.

In the case of complete usage of the credit line by the company (USD 400,000), and in accordance with the representative dollar rate, as detailed above (3.648 NIS), the maximum amount of shares that will be allocated to the controlling shareholder of the Company in connection to the aforesaid credit line is 1,758,072 ordinary shares of the Company.

The Offeree in the private offer is Mr. Roy Sabag, controlling shareholder in the Company, Chairman of the Board and CEO of the Company. Mr. Sabag is an interested party (as defined in the Companies Law) in his present position in the Company and in his present holdings of shares in the Company as detailed in Section 4.4 below.

## 2.2. **Terms of securities offered and the date of their allocation**

Subject to the approval of the General Assembly and the approval of the Stock Exchange to register the Allocated Shares for trading, the Company will allocate up to 1,758,072 ordinary shares of the company at a nominal value of 0.01 NIS per share to Mr. Sabag (hereinafter: “**The Allocated Shares**”). As mentioned above in Section 1.4.6.1, the Allocated Shares will be allocated to the controlling shareholder in only two phases.

The Allocated Shares constitute approximately 12.9% of the issued and paid-up capital and of the voting rights prior to the allocation, and approximately 12.72% of the issued and paid-up capital and of the voting rights in full dilution. Following the full performance of allocation according to this report, the shares allocated to the controlling shareholder will constitute approximately 11.43% of the Company's issued and paid-up share capital and of the voting rights therein and 11.28% of the issued and paid-up capital and voting rights in full dilution. For details regarding the Offeree's holdings before and after the Private Offer and full dilution, see Section 4.4 below.

## 2.3. **In exchange for the Allocated Shares**

- 2.3.1. The Allocated Shares will be allocated to the controlling shareholder with the payment of the credit line. The conversion will be made an exchange rate of 0.83 NIS per share.
- 2.3.2. The Allocated Shares will be equal in their rights to the ordinary shares that exist in the Company's capital, and bear all dividends or other benefits, after the determining date of the right to receive them starts, on their allocation date, or after it.
- 2.3.3. The Allocated Shares will be allocated subject to upholding the preconditions of their allocation, as mentioned in Section 6 below, and will also be listed for trading on the stock exchange with or after their allocation. The shares will be registered under the name of the nominee company, in compliance with the Stock Exchange Regulations.
- 2.3.4. The Allocated Shares will be blocked in accordance with the provisions of the law on the matter of blocking, please see Section 9 herein.

## 3. **The controlling shareholder and the nature of the personal interest**

The controlling shareholder in the Company, as it is defined in Section 268 of the Companies Law, is Mr. Roy Sabag, holder of 7,341,480 shares of the Company, which constitute as of the date of this report approximately 53.90% of the issued and paid-up capital of the Company (approximately 53.12% of the issued and paid-up capital of the company in full dilution)

The controlling shareholder in the Company has a personal interest in the engagement and in the private offer that are being brought for approval within the framework of this report, since he is a party to it.

#### 4. Company capital

4.1. As of the date of this report, the Company's issued and paid-up share capital is NIS 136,204.66 NIS distributed to 13,620,466 ordinary shares of NIS 0.01 par value each.

4.2. Furthermore, the Company issued non-negotiable options, that can be exercised into ordinary shares of the Company.

4.3. The remaining options in this cycle and at the time of this report (February 2017) are 200,000 options. In the case of allocation of all of the offered shares as detailed in this report, that would put the issued and paid-up capital of the Company at 153,785.38 NIS, distributed to 15,378,538 ordinary shares at a value of 0.01 NIS per share.

#### 4.4. Share holdings

Below is the information, to the best of the Company's knowledge, regarding the holdings of the controlling shareholder, other interested parties in the Company, and the rest of the shareholders in the Company, in the Company's securities, before and after performing the allocation of securities (and in the case of allocation of all of the Allocated Shares as detailed in this report):

**Note:** The rates of the holdings detailed in the table below are also in the shares capital and in voting power in the Company.

Name of shareholder	Before the Private Offer that is detailed in this report			After the Private Offer detailed in this report				
	Shares	Options	%	Without dilution and in the case of full allocation of shares			With full dilution	
				Shares	Options	%	Shares	%
Roy Sabag	7,341,480	-	53.90	9,099,552	-	59.17	9,099,552	58.41
1401385 Ontario Inc.	1,000,000	-	7.34	1,000,000	-	6.50	1,000,000	6.42
CPA. Eran Mazor in trust	44,750	-	0.33	44,750	-	0.29	44,750	0.29
Industrial Valores S.A.	1,000,000	-	7.34	1,000,000	-	6.50	1,000,000	6.42
Andres Finkielsztain	-	200,000	-	-	200,000	-	200,000	1.28
<b>The public</b>	4,234,236	-	31.09	4,234,236	-	27.54	4,234,236	27.18
<b>Total</b>	<b>13,620,466</b>	<b>200,000</b>	<b>100%</b>	<b>15,378,538</b>	<b>200,000</b>	<b>100%</b>	<b>15,578,538</b>	<b>100%</b>

#### 5. In return for the engagement and the private offer

5.1. As mentioned in Section 1.4 above, the shares will be allocated to the controlling shareholder with the full usage of the credit line by the Company. As mentioned, the finances that will be placed for the Company with the full use of the future credit line shall serve the Company for the expenses linked with current operations.

5.2. The way in which the consideration was determined in the engagement with the controlling shareholder

The amount of shares the controlling shareholder will receive with the exchange of the loan and the placing of an additional line of credit was determined based on the exchange rate of 0.83 NIS per share. The exchange rate of the loans as mentioned will be determined based on the stock exchange price of the Company's share on April 26, 2017, the date on which the auditing committee and the Board of Directors approved the private offer, at a sum of 0.91 NIS per share.

- 5.3. Furthermore, the Board of Directors took into account the fact that the Allocated Shares are shares that are blocked in accordance with the provisions of the Securities Law and the regulations on their behalf.

The price of a Company share on the stock exchange on April 26, 2017 (the date the Auditing committee and the Board of Directors made the decision regarding the private offer) was 0.91 NIS.

The price of a Company share on the stock exchange on June 6, 2017 (close to the date of this report), was of 1.088 NIS.

The average price of the Company's share in the six months prior to the date of the publication of this report was of approximately<sup>2</sup> 0.8526 NIS. The price of the share in the private offer is lower than 9%, 24% and 3%, respectively, of the price of the share that is detailed in this paragraph above.

- 5.4. Personal interest in the exchange

The controlling shareholder in the Company has a personal interest in the exchange for the private matter, as is detailed in Section 3 above.

6. **Approvals or terms that were determined for the performance of the transaction and the private offer to the controlling shareholder**

- 6.1. On April 26, 2017, on June 7, 2017 and on July 9, 2017, the Auditing Committee and the Board of Directors of the Company discussed the engagement and the private offer to the controlling shareholder as detailed in the report above and they approved it.

- 6.2. The engagement and the private offer to the controlling shareholder is subject to the approval of the General Assembly of the Company's shareholder, with a special majority, as detailed in Section 13.6 below.

- 6.3. In addition, the private offer to the controlling shareholder is subject to the approval of the stock exchange to list the shares that will be allocated for trading in the framework of the private offer.

In this context, it is clarified that the Company will turn to the stock exchange in a request to be registered for trading each time the Company's Review Board decides it, as mentioned in Section 1.4.6.1 above. The actual allocation of the shares will be performed only after receiving every stock exchange approval as mentioned, and simultaneously with the exchange for capital of the relevant sum within the credit line.

7. **Similar transactions with the controlling shareholder**

To the best of the Company's knowledge, other than the transactions that will be detailed in the section below, no other similar transactions were made with the controlling shareholder during the last two years before the date of the approval of the

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<sup>2</sup> During the mentioned period, the Company did not perform any unification or split of capital, any stock, distribution of bonus shares, or offers by way of rights etc.

engagement and of the private offer by the Board of Directors, or any that is still valid on the date of the Board of Director's approval as mentioned:

- 7.1. In the month of January 2014, following the approval of the Auditing Committee and the Board of Directors and in accordance with Regulation (2) 1 of the Companies Regulations (easement in transactions with an interested party, 5760-2000 (hereinafter: **"the Easing of Restrictions regulations"**)) the controlling shareholder, Mr. Roy Sabag, placed for the Company a credit line in the amount of NIS 200,000 (hereinafter in this Section 7: **"the Credit line"**). The terms for placing a credit line, as they were approved, are as follows: The credit line is linked to the US dollar and does not carry any sort of interest; the controlling shareholder is not permitted to demand the repayment of the amounts that are in the credit line if the repayment of the credit line will endanger the Company's ability to uphold all of their liabilities during the 12-month period following said repayment. In the context of placing a credit line, the controlling shareholder notified the Company's Board of Directors, on the date that the Board of Directors approved the placing of the credit line, that they would consider requesting that with the credit line the Company allocated them shares. For additional details regarding this transaction, that was approved in accordance with the ease of restrictions regulations, please see the Ad hoc report from January 28, 2014 (Reference: 2014-01-025687). In April 2015, the general assembly of the Company approved the exchange to Company shares of the loan which was placed for the Company for a full credit line. The exchange of the loan was made at an exchange rate of 0.90 NIS. Accordingly, for the exchange of the aforementioned loan, the Company allocated to the controlling shareholder 881,333 shares.
- 7.2. Furthermore, the Company's general assembly approved an additional transaction in April 2015, through which the Company received from the controlling shareholder an additional credit line in the amount of \$200,000 (herein after **"the Additional credit line"**), which was to be used for the Company's current operations, as necessary. From this additional credit line, the controlling shareholder immediately placed for the Company a loan of \$80,000 and the balance was used by the Company, from time to time, in accordance with their current needs until the month of June 2015. The additional credit line was linked to the US dollar and didn't carry any sort of interest. The additional credit line was for the Company's use for a period of 6 months from the date of the general assembly's approval of the transaction. With the use of the additional credit line and the transfer of the money by the controlling shareholder for the Company, the Company allocated shares to the controlling shareholder in accordance with an exchange rate of 0.90 NIS per share. Accordingly, for the \$80,000 that were immediately placed by the controlling shareholder for the Company, the Company allocated to the controlling shareholder a number of 352,533 ordinary shares of the Company. Against the usage of an additional credit line in the amount of \$120,000 which was exhausted by the company up to the month of June 2015, against which the Company allocated, in April 2017, 528,800 additional shares
- 7.3. In total, the Company allocated to the controlling shareholder, for the exchange of a loan of an overall total of NIS 400,000, which were placed by the Company as detailed in Sections 7.1 and-7.2 above, 1,762,666 shares of the Company.

8. **Agreements related to the buying/selling of securities or related to voting rights**

To the best of the Company's knowledge and based on a notice from the controlling shareholder, there are no agreements, written or verbal, between the controlling

shareholder and other parties regarding the buying or selling of securities of the Company or related to the voting rights in it.

9. **Restrictions to carrying out transactions with the offered securities**

There will be restrictions on the allocated securities that are outlined in Section 15c of the Securities Law, and in the Securities Regulations (details of the matter are in Sections 15a to 15c of the Law, (“the 2000 regulations”), as detailed below:

9.1. During the six (6) months commencing on the date of the allocation (“**the absolute blocking period**”) the Offeree will not be entitled to offer the Allocated Shares for trading on the Stock Exchange without publishing a Prospectus that was authorized for publication by the Securities Authority.

9.2. In the six (6) consecutive quarters following the termination of the absolute blocking period, the Offerees will be entitled to offer the Allocated Shares for trading on the Stock Exchange without having to publish a Prospectus as mentioned above, subject to the following limitations:

- (1) No more than the daily average of the trading cycle in the stock exchange of the Company’s shares during a period of eight (8) weeks prior to the date of the offer;
- (2) The overall amount that is offered for sale in each quarter by the offeree will not be more than 1% of the issued and paid off capital of the Company, for the date of the offer.

On the matter of Section 9.2 only - “Issued and paid off capital,” except for shares that stemmed from the exercising or exchanging of exchanged securities that were allocated until the day of the offer and were not yet exercised or exchanged; a “quarter” is a period of three months. The start of the first quarter will be at the end of the absolute blocking period.

9.3. On the sale of shares in an off-exchange transaction, no restrictions shall apply to dates or quantities, provided that any person who purchased from the Offeree shares allotted to him as aforesaid in this report shall enter into the Offeree’s shoes for the purpose of compliance with the provisions of the Securities laws and regulations.

10. **Synopsis of the explanations given by the Auditing Committee and by the Board of Directors**

The synopsis of the explanations given by the Auditing Committee and by the Board of Directors in approving the transaction with the controlling shareholder, which is detailed in Section 1.4 above, is presented below:

10.1. The Company is lacking financial resources and has no liquid assets. While the Company recently raised a sum of approximately one million shekels within the framework of private funding, they are likely to require additional financial resources for the continuation of their current operations, for repaying debts, and for regular payments, including those that derive from their scope as a public company.

10.2. The Auditing Committee and the Board of Directors are of the opinion that, at this stage, the Company has no options for raising additional financing from other sources.

10.3. The offered transaction will provide an answer to the liquidity problems that the Company is likely to encounter, in a way that will enable the Company to operate in a normal way.

10.4. Allocation of the shares to the controlling shareholder is made at the price for which the Company's stock is traded on the stock exchange without premium payment to the controlling shareholder. Additionally, the allocation is at a rate that does not have in it anything that will significantly change the status of the holdings in the Company.

11. **The names of directors that were in the Auditing Committee and Board of Directors meetings on April 26, 2017 and on July 9, 2017, and on June 7, 2017**

**In the Auditing Committee** - Tomer David, Yehoshua Hershkowitz, Vered Mor Porat.

**In the Board of Directors** - Tomer David, Yehoshua Hershkowitz, Vered Mor Porat, Eran Mazor, and Yehoshua Hershkowitz are external directors.

It should be noted that Mr. Roy Sabag, Director and Controlling Shareholder of the Company that has a personal interest in the approval of the engagement as he is a party to it, was not present in the said meeting of the Board of Directors.

12. **The names of the directors who are, to the best of the Company's knowledge, interested parties in the engagement**

Mr. Roy Sabag is an interested party in the engagement being a party to it.

13. **The convening of the general assembly**

13.1. The general assembly of the shareholders of the Company, which will include on its agenda the topics of the engagements that are detailed in this report, will take place on Mon. July 17, 2017, at 11:30 a.m. at the offices of the Company's attorneys, Zitvar, Galore and Co., Attorneys, at Menachem Begin Street, 7 Ramat Gan, Tel: 03-6127778. If it is necessary to reschedule, then the meeting will take place on Monday, July 24, 2017, in the same place and at the same time.

13.2. The shareholders permitted to participate in the meeting and in any postponed meeting may personally or by someone on their behalf participate and vote, and in the case of a corporation, this is done by a person who was duly empowered for this purpose.

The document appointing a proxy for the vote and the Power of Attorney, if any, pursuant to which the document was signed, or a certified copy thereof must be delivered to the registered office of the company no later than 48 hours prior to the date set for the meeting or for the rescheduled meeting.

13.3. Non-registered shareholders (that is, whoever has shares registered to their credit in a stock exchange member and those shares are included the registered shareholders registry in the name of the registration Company) who are interested in voting at the meeting are required to present approval from the stock exchange member with whom their eligibility for the share is registered, regarding their ownership of the share on the determined date, in accordance with the provisions of the Companies Regulations (proof of ownership of a share for the purpose of voting in the general assembly), 5760-2000 Non-registered shareholders are entitled to receive the ownership certificate at the stock exchange member's branch or via mail and they are also entitled to instruct that the approval of ownership will be sent to the Company via the electronic voting system.

**Written Votes and Position Papers** - A shareholder is entitled to vote at the General Assembly via a Written Vote, as detailed below:

- A. A. The website addresses of the Securities Authority and of the Tel Aviv Stock Exchange Ltd., in which you can find the text of voting letters and position notices as defined in Sections 87 and 88 of the Companies Law (respectively), are as follows: Securities Authority distribution website: <http://www.magna.isa.gov.il> (hereinafter: “**distribution website**”); Tel Aviv Stock Exchange Ltd. <http://www.maya.tase.co.il>
  - B. Written voting will be carried out via the second part of the voting letter that is attached to this Ad hoc report.  
The Written Vote and documents that must be attached to it, as detailed in the Written Vote, must be delivered to the Company’s offices no later than 4 hours prior to the time when the Meeting is convened.
  - C. In addition, the non-registered shareholders are entitled to vote in the meeting via a voting letter that will be sent to the Company via the electronic voting system. The voting will be allowed up to 6 hours prior to the time when the meeting is convened.
  - D. The deadline for delivering Position Papers to the Company’s offices is with minimum 10 days prior to the date of convening the meeting.
  - E. The last date for presenting the Board of Director’s reply to position papers is up to five (5) days before the time of the convening of the meeting.
- 13.4. The determining date for the matter of shareholders’ eligibility to participate and vote at the meeting, pursuant to the provisions of Sections 182(b) and (c) of the Companies Law and Regulation 3 of the Companies (Written Votes and Position Papers) Regulations, 5765-2005, will be at the end of the trading day on the Tel Aviv Stock Exchange Ltd. on June 15, 2017 (hereinafter: “**The determined date**”).
- 13.5. A request to include a topic on the agenda of the meeting - a request of a shareholder according to Section 66(b) of the companies’ law to include a topic on the agenda of a special General Assembly meeting will be presented to the company up to seven days after the summoning of the General Assembly.
- 13.6. **The mandatory majority for approving proposals for a decision**
- 13.6.1.1. The mandatory majority needed for approval of proposals for decisions as detailed in Sections 1.2 and 1.3 above is a normal majority of those present who are entitled to participate in the meeting
  - 13.6.1.2. The General Assembly has the right to approve the engagement with the controlling shareholder and the private offer to the controlling shareholder as provided in Sections 1.4 and 2 of this report by a resolution voted with a majority of those present and that have the right to participate in the vote, provided that one of the following conditions are met: (a) A majority vote count in the general assembly will be the majority of votes of shareholders who are not interested parties in the approval of the engagement that are participating in the vote; the vote count of shareholders will not take abstentions into account; (b) the total opposing votes from the shareholders mentioned in sub-paragraph (a) will not be higher than the rate of two percent (2%) of the overall rights to vote in the Company.

**A directive provided by the Authority or by an employee empowered by virtue of Regulation 10 of the Transaction with a Controlling Shareholder**

**Regulations and/or Regulation 17 of the Private Offer Regulations could delay the convening the General Assembly.**

14. **The Company's representatives for the matter of taking care of the Ad hoc report**

Mr. Ronen Zitvar and Mr. Zohar Hadar attorneys at law  
Zitvar, Galor and Co. Attorneys at law  
From 7 Menachen Begin Road, Gibor Sport Building, Ramat Gan 52521:  
Tel. 03-6127778; Fax 03-6127779

15. **Document review**

The documents relating to the engagement and the private offer to the controlling shareholder, as detailed in this Ad hoc report, can be reviewed at the offices of the Attorneys at Zitvar, Galor & Co., Attorneys of Law, located at 7 Menachem Begin Street, Ramat Gan, during regular business hours and with prior appointment.

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**Natural Resource Holdings Ltd.**  
**c/o Eran Mazor**  
**Director, financial manager and company secretary**

**Appendix, A**

**A declaration of qualification of directors in accordance with the provisions of Section 224b of the Companies Law**

June 11, 2017

**For the attention of:**

**Natural Resource Holdings Ltd.**

**Declaration of a candidate for reappointment as director pursuant to the provisions of Section 224b of the Companies Law, 5759-1999**

**Whereas:** Natural Resources Holdings Ltd. (“**the Company**”) is a public company, whose shares are traded on the Tel Aviv Stock Exchange Ltd.

**and whereas:** Pursuant to the provisions of the Companies Law, “**the 1999 law**”), I must deliver this declaration in order to be reappointed as a director in the Company;

**and whereas:** I am aware of the fact that my Declaration will be exhibited in the Company’s Registered Office for public review.

Therefore, I the undersigned **Roy Sabag**, holder of ID no. **021552211**, after having been warned that I must tell the truth and that I can be prosecuted as prescribed by law if I fail to do so, declare and commit to the following:

1. The aforementioned declarations constitute an integral part of this declaration.
2. All of the terms of this declaration shall be interpreted as provided for by the law.
3. No restrictions prescribed in Sections 226, 226a and 227 of the law, and nothing detailed in Section 225 of the law apply to me. To the extent that reference is to an independent director - the provisions in Paragraphs (1) and (2) apply to me in respect of the definition of an “independent director” as specified in Section 1 of the law.
4. I have the required qualifications and the ability to allocate the adequate amount of time to performing my role in the Company. Details of my qualifications are in Section 7 below.
5. I hereby undertake that if a required condition by the law for my service as a director in the Company will cease to apply or any reason will apply pertaining to the expiration of my service as a director in the Company, I will notify the Company about this immediately, and my service as a director in the Company will expire on the date of providing notification as mentioned.
6. I hereby undertake to notify the Company, in writing, about any acquisition of Company securities by me or on my behalf and/or about any change in my holdings of the Company’s securities immediately after becoming aware of the change and, in any event, no later than one trading day from the date of the change.
7. My education, my experience and knowledge are as follows:

7.1. Education:

Highschool

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Relevant professional experience: **Founder of the investment company Equity, which was established at the beginning as a hedge fund. The company specializes in investments in accordance with the strategy of “value investing” in public and private companies, globally, over the long-term and from a fixed capital base. The company implements the investment strategy by investing in natural resources.**

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8. This is my name, this is my signature, and the facts that are detailed in my declaration above are the truth.

**Roy Sabag**

**Name**

**0215542211**

**ID No:**

*[signature]*

**Signature**

June 11, 2017

**For the attention of:**

**Natural Resource Holdings Ltd.**

**Declaration of a candidate for reappointment as director pursuant to the provisions of Section 224b of the Companies Law, 5759-1999**

**Whereas:** Natural Resources Holdings Ltd. (“**the Company**”) is a public company, whose shares are traded on the Tel Aviv Stock Exchange Ltd.

**and whereas:** Pursuant to the provisions of the Companies Law, “**the 1999 law**”), I must deliver this declaration in order to be reappointed as a director in the Company;

**and whereas:** I am aware of the fact that my Declaration will be exhibited in the Company’s Registered Office for public review.

Therefore, I the undersigned **Eran Mazor**, holder of ID no. **036188043**, after I have been warned that I must tell the truth and that by failing to do so, I will be subject to punishment as provided for by the law, declare and undertake the following:

1. The aforementioned declarations constitute an integral part of this declaration.
2. All of the terms of this declaration shall be interpreted as provided for by the law.
3. No restrictions prescribed in Sections 226, 226a and 227 of the law, and nothing detailed in Section 225 of the law apply to me. To the extent that reference is to an independent director - the provisions in Paragraphs (1) and (2) apply to me in respect of the definition of an “independent director” as specified in Section 1 of the law.
4. I have the required qualifications and ability to allocate the adequate amount of time to performing my role in the Company. Details of my qualifications are in Section 7 below.
5. I hereby undertake that if a required condition by the law for my service as a director in the Company will cease to exist or any reason will exist for the expiration of my service as a director in the Company, I will notify the Company about this immediately, and my service as a director in the Company will expire on the date of providing notification as mentioned.
6. I hereby undertake to notify the Company, in writing, about any acquisition of Company securities by me or on my behalf and/or about any change in my holdings of the Company’s securities immediately after becoming aware of the change and, in any event, no later than one trading day from the date of the change.
7. My education, my experience and knowledge are as follows:
  - 7.1. Education: **An undergraduate degree in Business Administration - majoring in Accounting, a postgraduate degree in Business Administration - majoring in financing. Certified Public Accountant.**
  - 7.2. Relevant professional experience

**Holder of a position in a public company. Starting in October 2012 - CEO of finances, Matzlavi Construction Company Ltd., from April 2012, CEO**

**Ultra Equity Investments Ltd.; 2010-2012 CFO Tagor Capital; from July 2008 - Accounting and Financial Consultant in a private company under my ownership.**

**Director in an additional company: Bram Industries Ltd. (Chairperson of the Board of Directors).**

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8. This is my name, this is my signature, and the facts that are detailed in my declaration above are the truth.

**Eran Mazor**

**Name**

**036188043**

**ID No:**

*[signature]*

**Signature**

**To: Natural Resources Holdings Ltd.**

**(the "Company")**

**Re: Declaration of a Director in a Reporting Corporation**

I, the undersigned, **Andres Finkielsztain**, Holder of USA Passport Number 502786801, being a candidate to be nominated as a director in the Company, hereby declare, in accordance with Section 224B of the Companies Law, 5759 - 1999, as follows:

1. I have the necessary qualifications and I am able to devote the appropriate amount of time and serving as a director in the Company, with due attention, *inter alia*, to the Company's special requirements and to its size.
2. The relevant details, including details regarding my education and my relevant professional experience, are set forth below:

Name (as appears in the Passport)	Andres Finkielsztain
I.D. Number / Passport Number	502786801
Date of Birth	02 Jan 1973
Address (In Israel) for service of legal documents	
Nationality	USA
Membership in Board of Directors' committees	None
Are you an employee of the Company, its subsidiary, of its Affiliated Company or of a Principal Shareholder therein?	Managing Member of FINK & FINK II LLC
The date on which you began to serve as Director in the Company	FINK July 2011
Professional Education	B.A. in Economics from Bard College
Occupation in the past five years	Portfolio Manager Soros Brothers Investments LLC
Other corporations (including private companies) that he serves as a director	N/A

Are you relative of another Principal Shareholder or Interested Party of the Company?	N/A
Do you have accounting and financial expertise for the purpose of meeting the minimal number established by the board of directors in accordance with section 92(a)(12) of the Companies Law?	Yes.

3. In the past 5 years I wasn't convicted in any of the following offenses:

3.1 Offenses under the Penal law 5737 - 1977 (the “**Penal Law**”):

- 3.1.1 Sections 290 to 297 of the Penal Law dealing with bribery offenses;
- 3.1.2 Section 392 of the Penal Law dealing with theft by an officer;
- 3.1.3 Section 415 of the Penal Law dealing with obtaining anything by deceit;
- 3.1.4 Sections 418 to 420 of the Penal Law dealing with forgery of documents, the presentation or issuance of forged document or other use of such document whilst in the knowledge that such document is forged;
- 3.1.5 Sections 422 to 428 of the Penal Law dealing with inducement by deceit, registering false records in corporate documents, offenses by an officer or employee of a company, concealment of information and the publication of misleading information by senior office holder of the company, deceit and breach of trust towards a company, deceptive concealment, blackmail with use of force and or by means of threats.

3.2 Offenses under the Securities law 5728-1968 (the “**Securities law**”):

- 3.2.1 Section 52C of the Securities Law dealing with the use of inside information by an insider;
- 3.2.2 Section 52D of the Securities Law dealing with the use of inside information which was originated by an insider;
- 3.2.3 Section 53(a) of the Securities Law dealing with the contravention of provisions regarding the publication of prospectus containing a misleading detail;
- 3.2.4 Section 54 of the Securities Law dealing with fraud in connection with securities (fraud includes any action which is intended to wrongly influence trading).

4. In the past 5 years I was not convicted:
  - 4.1 By a court outside Israel of the offenses of bribery, deceit, offenses by managers of a corporation or offenses involving misuse of inside information;
  - 4.2 Of any other offense, that due to the substance, gravity or circumstances of which, a court has found me to be unfit to serve as a director in public company.
5. The Administrative Enforcement Committee did not impose upon me any Means of Enforcement that prohibits my serving as a director in any public company, and the period set by the Administrative Enforcement Committee in the said section has not yet passed.

In this section: “**Means of Enforcement**”; “**Administrative Enforcement Committee**” — as defined in section 225(b) to the Companies Law.
6. I was never declared bankrupt and I am not legally incompetent.
7. I hereby declare that as long as I serve as a director of the Company, I will report the Company immediately of any change in this declaration.
8. I acknowledge that this declaration will be held at the Company's registered office and will be available for review by any person.

**Name: Andres Finkielsztain**

**Signature: [SIGNATURE]**

**Date: 12/19/2016**