

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

November 27, 2017

For the attention of:  
Israel 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 pursuant to the Companies Law, 5759 - 1999 and to the Securities Law 5728 - 1968 - and pursuant to the Securities Regulations (Private Offering of Securities in a Registered Company) 5760 - 2000**

Following the Ad hoc report of the Company's engagement with two investment banks dated November 19, 2017 (reference: 2017-01-107577), it is hereby issued this Ad hoc report in accordance with the Companies Law 5759 - 1999 (hereinafter: “the Companies Law”) and in accordance with the Securities Law 5728 - 1968 (hereinafter: “the Securities Law”), and pursuant to the Securities Regulations (Private Offering of securities in a registered company) 5760 - 2000 (hereinafter: “**Private Offer Regulations**”) regarding a significant Private Offer of securities for Offerees, each of whom is not an entity with a vested interest (hereinafter: “**the Private Offer**”) as detailed in this report below:

**1. The Offerees**

- 1.1. Two different Offerees, neither of which are parties with vested interest in the Company as per the meaning of the term in Section 270 (5) of the Companies Law, and none of which shall become an interested party in the Company after the allotment.
- 1.2. Neither of the Offeree is affiliated to the Controlling Shareholder of the Company or to anyone acting on their behalf and/ or that of any of the other vested parties in the Company and/ or of any of the other Offerees.
- 1.3. On November 27, 2017, the members of the Board of Directors of the Company approved the terms of the offering of the securities that make the subject of this report.

**2. The terms of the offered securities, their amount and proportion from the issued capital, and the date of allocation.**

- 2.1. Subject to the approval of the securities from the Tel Aviv Stock Exchange (hereinafter: “**the Stock Exchange**”) for the listing of the Realized Stocks (as defined henceforth), the Company will allot to the Offerees the following securities:

**2.1.1. Offeree A**

150,000 option warrants, non-negotiable, which may be traded to ordinary shares of the Company.

**2.1.2. Offeree B**

150,000 option warrants, non-negotiable, which may be traded to ordinary shares of the Company.

The Option warrants offered to Offeree A and the Options offered to Offeree B shall hereinafter be called together “**the Option Warrants Offered**” or “**the Options Offered**”). The shares derived from exercising the Option warrants shall hereinafter be referred to as: “**the Realized Stocks**”).

- 2.2. The Realized Stocks will be equal in their rights to the ordinary shares that are in the Company's capital and will be entitled to any dividends or other benefits, of which determining date for the right to receive them starts on their realization date or after it. In the event that the Company distributes a dividend to their shareholders, the determining date for their eligibility will be of at least ten days after the date of announcing the distribution of a dividend.
- 2.3. Any option may be traded to one ordinary share of the Company in exchange for a realization payment price of 3.00 NIS per option (hereinafter: "**Realization Price**"). The Options will be exercisable at any time during a period of 5 years from their allocation date (hereinafter: "**the Realization Period**").
- 2.4. In the event of exercising all of the Options by the Offerees, the Realized Stocks will constitute 2.03% of the Company's issued and paid-up stock capital and of the allotment rights, as at the date of the allotment, and 1.97% of the issued and paid-up stock capital of the Company in full dilution.
- 2.5. The Options offered will be allotted to the Offerees subject to the approval of the Tel Aviv Stock Exchange Ltd. to list for trading the Realized Shares. The Realized Shares will be registered for trade on the stock exchange soon after their offering and will be recorded with the registration company, as is required under the Stock Exchange Regulation. The Options will not be registered for trade and will be registered in the securities registry of the Company in the name of each Offeree.
- 2.6. On the allocated securities the blocking provisions will apply pursuant to the Securities Law, as detailed in Section 5 henceforth.
- 2.7. Adjustments which apply on the Option Warrants that are offered for changes in the stock capital  
With the occurrence of events as described henceforth, during the period between the date of allotment of the Offered Option Warrants and the date of their exercise, adjustments shall be made to the rights of the Offerees, as detailed below:

2.7.1. **Technical changes in the company's capital**

If the amount of shares of the Company has changed as a result of an action of stock splitting or consolidation of shares, the number of shares which arise from the realization of each Option Warrant will be adjusted proportionally (without change in the exercising price of each option). The method of adjustment in these cases shall be determined by the Board of Directors and their determinations shall be final and binding. Excluding cases in which is explicitly determined otherwise, the allotment of shares of any type will not cause an adjustment of the realization price or the number of shares resulting from this realization.

2.7.2. **Bonus Shares**

In the event of distribution of bonus shares, the number of shares to which they shall be eligible shall be adjusted as a result of exercising the warrants, therefore the number of shares the Offeree would be entitled to as stated shall increase or decrease proportionately by the number of shares of the same class that the Offerees would have been entitled to, as bonus shares, had they exercised the Offered Option Warrants held by them. This adjustment method cannot be changed.

### 2.7.3. Adjustment due to dividend distribution

In the event of a cash or in kind dividend granted by the Company to all their shareholders, (including distribution with court approval pursuant to Section 303 of the Companies Law or to any other provision applicable on this matter), the date determining the right to receive such dividend (“**the Effective Date**”) shall apply after the date of granting the Offered Option Warrants, however prior to the Exercising Date, when the realization price of each Option Warrant is not yet exercised for the Company’s share, and prior to the effective date it shall be reduced by the amount of the gross dividend per share distributed by the Company (or the value of the dividend in the event of a distribution in kind.) Beyond the adjustments in the realization prices as detailed in this section, the distribution of a dividend by the Company (in cash or in kind) will not affect in any manner the number of realizable shares and will not obligate the Company to an adjustment in relation to the Option Warrants which are offered or to the realizable shares.

It is made clear that in any event the price of realization shall not be less than 0.30 NIS.

The shares received from the exercising of the Offered Option Warrants shall be equal in their rights to the existing ordinary shares in the Company’s capital, and will be entitled to any dividend or other benefits, of which the determining date for their receipt is on the allotment of the shares or thereafter.

### 2.7.4. Adjustment due to issuance by way of rights

In case of issuance of rights by the Company to the shareholders, this will be offered to everyone holding Option Warrants as detailed above which were not yet realized, as well as the same securities under the same terms in the offer to the shareholders in the company, and the holders of Option Warrants will be considered as if they had already realized the Option Warrants. This method for adjusting may not be changed.

- 2.8. Pursuant to the provisions of the Stock Exchange Guidelines, there will be no realization of Option Warrants on the determining date for the distribution of bonus shares, as per the offer, by way of rights, the distribution dividend, consolidation of capital, splitting of capital or reduction of capital (each of the above will be called hereinafter: “**a Company Event**”). In addition, if the X day of a company event happens prior to the determining date of the Company event, there will be no realization of the Offered Option Warrants into shares on the said X day.

## 3. **Terms of the engagement, consideration of the offered securities, and the way of its determination**

The Offered Option Warrants will be allocated free of any consideration. The exercising price of each option is of 1 NIS. Assuming the exercising of all the Offered Option Warrants, the total consideration to be received for them is in the amount of 900,000 NIS.

## 4. **Agreements related to the Company’s securities or as per the voting rights**

To the best of the Company’s knowledge and as reported to them by each one of the Offerees and by the Controlling Shareholder in the company, there are no agreements, whether verbal or in writing, between the Offerees and another shareholder in the Company, or between the Offerees and other parties, or between the Offerees themselves concerning the acquisition or sale of Company securities or the voting rights therein.

## 5. Prevention of limitation in executing any activities in the offered securities

Concerning the sale of the offered shares or of the realizable shares, as long as they are allotted from the realization of the Offered Options Warrants, in whole or in part, the limitations laid out in Section 15 C of the Securities Law and in the Securities Regulations (details about Sections 15 A to 15C of the Law) 5760 - 2000 (“**the Regulations**”) shall apply as specified henceforth:

- 5.1. During a period of six (6) months which will start on the day of the allotment of the warrants (“**the Absolute Blockage Period**”), the Offerees will not be permitted to offer the realized stocks for trading on the stock exchange without publishing a prospectus allowed for publication by the Securities Authority.
- 5.2. In the six consecutive quarters following the end of the Absolute Blockage Period, the Offerees shall be entitled to offer the Realized Stocks in the course of trading on the Stock Exchange, without being required to publish a prospectus as stated, subject to the following cumulative restrictions:
  - (i) No more than the daily average of the trading turnover of the stock exchange in the Company’s shares during a period of eight (8) weeks preceding the day of the offering.
  - (ii) The total quantity offered for sale in each quarter by each of the Offerees separately does not exceed 1% of the issued and paid-up share capital of the Company on the day of the offer.

In regard to Section 5.2 only - “**Issued and paid-up capital**”, excluding shares that result from exercising or exchanging convertible securities allocated until the day of the offer, which 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 blockage period.

- 5.3. For the sale of the Offered Option Warrants and/ or of the Realizable Shares that will be allotted to Off the Stock Exchange Transactions, there shall be no restrictions on dates or quantities, provided that any person that has purchased from the Offerees any of the Option Warrants allotted to them, as detailed above in this Report, or any of the Realized Stocks shall comply with the provisions of the Securities Law and with the Regulations on behalf of the said entity.

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**Natural Resources Holdings Ltd**

**Through Mr. Eran Mazor, Director**