

Natural Resources Holdings Ltd.
“(the Company)”

January 31, 2017

To:
Israel Securities Authority
www.isa.gov.il

To:
Tel Aviv Stock Exchange Ltd.
www.tase.co.il

Dear Sir(s)/Madam,

Re: **An Ad hoc report in accordance with the Companies Law, 5759-1999, the Securities Law, 5728-1968, and in accordance with Securities Regulations (a Private Offer of securities in a registered company), 5760-2000**

Hereby provided is an Ad hoc report in accordance with the Companies Law 5759-1999 (hereinafter: “**Securities Law**”) and in accordance with Securities Regulations, 5728-1968 (a Private Offer of securities in a registered Company), 5760-2000 (hereinafter: “**Private Offer Regulations**”) regarding a significant Private Offer of securities for Offerees whom each one are not an interested entity (hereinafter: “**the Private Offer**”), as is detailed in this report below:

1. **The Offerees**

The Offerees in the Private Offer are:

- 1.1 Industrial Valores S.A., which is a Company whose corporation is in Argentina (hereinafter: “**Offeree A**” or “**the Offeree**”). To the best of the Company’s knowledge and according to what was sent to it by the Offeree, the controlling shareholder is Mr. Andres Patricio Meta, who holds approximately 93.21 % of the Offeree’s capital.
- 1.2 Andres Finkielsztain, who is an American citizen (hereinafter: “**Mr. Finkielsztain**” or “**Offeree B**”)

A securities offer to Mr. Finkielsztain was made in a continuation of the Company’s Board of Directors to compensate Mr. Finkielsztain, by way of granting stock options exercisable in the Company, for the assistance that he provided to the Company in creating a contact with Offeree A and for his engagement in the transaction with it.

It should be noted that it is the management’s intention to bring for the Board of Director’s approval a motion to appoint Mr. Finkielsztain as a member of the Company’s Board of Directors.

- 1.3 To the best of the Company’s knowledge, as of the date of this report, none of the Offerees are a party with interest in the Company, as is the meaning of the term in Section 5(270) of the Companies Law. Also, to the best of the Company’s knowledge, none of the Offerees are connected to the controlling shareholder or to anyone on his behalf.
- 1.4 It should be noted that to the best of the Company’s knowledge, Mr. Finkielsztain is employed by Soros Brothers Investments LLC., which is a foundation that was founded by Mr. George Soros (hereinafter: “**Soros Foundation**”). 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. Also, in 2015, Soros Foundation also invested in Goldmoney Inc., a public

Company that was traded in Canada and is in the control of the Company's controlling shareholder. Soros Foundation holds less than 5 % of the share capital of Goldmoney Inc.

The Company asserts that the aforementioned relationship between the controlling shareholder and Soros Foundation and Mr. Finkielsztain which is employed by it, does not constitute creation of a personal interest of the controlling shareholder or to turn the Offeree to a party interested in the Company.

1.5 On November 3, 2017, the Company's Board of Directors approved the terms of the securities offer which is the subject of this report.

1.6 The agreements between the Company and each one of the Offerees were signed on January 30, 2017.

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

2.1 Subject to Stock Exchange approval to registering the ordinary shares and the exercised shares for trading (as they are defined below), the Company will allocate to the Offerees securities as follows:

2.1.1 Offeree A

1,000,000 regular shares of the Company (hereinafter: "**the Offered Shares**"), which will constitute, as detailed in Section 3 below, approximately 7.34 % of the capital and the voting rights of the Company after the offer.

2.1.2 Offeree B

200,000 non-negotiable warrants, which allow for the exercising of ordinary shares of the Company (hereinafter: "**the Offered Warrants**" or "**the Offered Options**" and "**Exercisable Shares**", respectively).

2.2 The Offered Shares and the Exercisable Shares will be equal in their rights to ordinary shares that exist in the Company's capital and will be entitled to all dividends or other benefit, when the determined date of the right to receive them starts on their allocation date (or date of exercise, according to the matter) or after it. In the event that the Company will distribute a dividend to its shareholders, the determined date of its eligibility will be at least ten days after the date of announcing the distribution of a dividend.

2.3 Any option will be exercisable for one share of the Company in exchange of paying an exercising price of 1 NIS (hereinafter: "**the Exercising Price**"). The options will be exercisable at any time during a period of 5 years from their allocation date (hereinafter: "**Exercise Period**").

2.4 The Offered Shares constitute approximately 7.92 % of the issued and paid up capital and voting rights prior to the allocation.

After performing this Private Offer according to this report, the Offered Shares will constitute approximately 7.34 % of the issued and paid up capital of the Company and its voting rights. For details regarding the Offeree's holdings before and after the Private Offer and full dilution, see Section 3.5 below.

2.5 The offered securities will be allocated to the Offerees subject to receiving approvals and upholding the required terms for their allocation as is details in Section 7 below. The Offered Shares and the exercisable share will be registered for Stock Exchange trading, immediately

following their offer, and they will be registered in the Company's registered name, as liable to the provisions of the Stock Exchange regulations. The options will not be registered for trading and will be registered in the name of Offeree B in the securities register of the Company.

2.6 The provisions of capping as required by the provisions of the Securities Law, as detailed in Section 9 below will apply to the allocated securities.

2.7 **Adjustments that will apply to the Offered Warrants due to changes in equity shares** with the occurrence of events that are described below during the period that is between the date of allocating the Offered Warrants to Offeree B and their exercise date, will be edited in accordance with the rights of Offeree B, as detailed below:

2.7.1 **Technical changes in the Company's capital** if the amount of shares in the Company will change as a result of a stock split or unification of stock, the number of shares that will stem from exercising every offered warrant will be relatively adjusted (without a change in the Exercising Price). The way of adjusting in these events will be determined by the Board of Directors and their determination will be final and obligating. Except in cases where it will be determined otherwise, an allocation of shares of any kind will not cause an adjustment of the Exercising Price or number of shares that stemmed from exercising.

2.7.2 **Bonus shares** In the event of the distribution of bonus shares, the number of shares in which Offeree B will be entitled to will be adjusted as a result of exercising the warrants, so that the number of shares to which Offeree B will be entitled to, as mentioned, will increase or decrease proportionally to the number of shares of the same kind that the offeree will be entitled to as bonus shares if he exercised the offered warrants held by him.

2.7.3 **An adjustment due to the distribution of dividends** in the case of the distribution of a dividend in cash, or in lieu of money, by the Company to all shareholders (including the distribution of court approval in accordance with Section 303 of the Companies Law, or any other section that will apply for this matter) and the determining date of the right to receive this dividend ("**the determined date**") will apply after the date of granting the Offered Warrants, but before they are exercised, the Exercising Price of each offered warrant that was prior to the exercising of the Company's share before the determined date will be less than the gross sum of the dividend for the share that the Company distributed (or the value of the dividend in the event of distribution in lieu of money). Beyond the adjustment of the Exercising Price as is detailed in this section, dividend distribution by the Company (in cash or in lieu of money) will not effect in any way the number of Exercisable Shares and will not obligate the Company to make any adjustment in connection with the Offered Warrants or Exercisable Shares. It should be clarified that in any case the Exercising Price will not be less than 0.30 NIS.

The Offered Shares and the Exercisable Shares will be equal in their rights to ordinary shares that exist in the Company's capital and will be entitled to all dividends or other benefit, when the determined date of the right to receive them starts on their allocation date (or date of exercise, according to the matter) or after it.

- 2.7.4 **An adjustment following the issue on the way of rights** in the case of issuing rights by the Company to shareholders, will offer to anyone who holds warrants as mentioned above that were not yet exercised, the same securities with identical terms to the offer to the shareholders in the Company, and the warrant holders will be seen as if they exercised the warrants. This way of adjusting may not be changed.
- 2.8 In accordance with the provisions of the Stock Exchange guidelines, an offered warrant will not be exercised on the date that was determined for the distribution of bonus shares, for an offer in the way of rights, for dividend distribution, for unification of capital, for stock split or decreasing capital (all of the aforementioned will be called hereinafter: “**Company Event**”). In addition, if day X of the Company happens prior to the determined date of the Company Event, the exercising of Offered Warrants will not be performed for shares on the aforementioned day X.
- 3. Share capital issued to the Company, amount and proportion of the Offeree’s holdings, of interested parties in the Company and the total holdings of the rest of the shareholders that was issued and paid-up and the voting rights.**
- 3.1 As of the date this was published, the issued share capital of the Company is 1,209,166.60 NIS that was distributed to 12,091,666 regular shares of 0.01 NIS regular value each. The Company’s shares capital that is detailed above does not take into consideration 528,800 additional shares that are intended by the Company to be allocated to the controlling shareholder in accordance with the private allocation report from March 2015. After this allocation, the payment of the issued shares capital of the Company will stand at 1,262,046.60 NIS that will be distributed to 12,620,466 ordinary shares.
- 3.2 As of the date of this report, the Company does not have any other options or securities that may be exchanged in the Company’s shares.
- 3.3 In the guideline of allocating offered securities as is detailed in this report (and in the guideline of completing the private allocation to the controlling shareholder as is mentioned above) the issued and paid up capital of the Company will stand at 1,362,046.60 NIS distributed to 13,620,466 regular shares and 200,000 non-tradable options.
- 3.4 In the assumption of exercising all Offered Options as is detailed in this report, the issued and paid up capital of the Company will stand at 1,382,046.60 NIS, distributed to 13,820,466 ordinary shares.
- 3.5 To the best of the Company’s knowledge, the quantity and share of holdings of the interested parties in the Company and the rest of the shareholders in the Company of issued and paid up capital and in the voting rights in the Company¹ are as follows:

Shareholder	Prior to the Private Offer		After the Private Offer					
	Shares	% ²	Shares	Without dilution	Warrants	% ²	With full dilution	
Roy Sabag	7,259,520	57.52	7,259,520	--		53.30	7,259,520	52.53

¹ After taking into account an allocation of 528,800 additional shares, as mentioned above

² In capital and voting power

1401385 Ontario Inc	1,000,000	7.92	1,000,000	--	7.34	1,000,000	7.24
Acct. Eran Mazor in trust	44,750	0.36	44,750	--	0.33	44,750	0.32
Offeree A	--	--	1,000,000	--	7.34	1,000,000	7.24
Offeree B	--	--	--	200,000	--	200,000	1.45
The public	4,316,196	34.20	4,316,196	--	31.69	4,316,196	<u>31.23</u>
Total	12,620,466	100.00	13,620,466	200,000	100%	13,820,466	100.00%

4. Terms of the connection, consideration of the offered securities and the way of determination

4.1 The Offered Shares will be allocated to Offeree A in exchange for 1 NIS per share and a total of 1,000,000 NIS for all of the Offered Shares.

4.2 The Offered Options will be allocated to Offeree B for no consideration.

4.3 The Exercising Price of the option is 1 NIS. In the guideline of exercising all of the options there will be an overall consideration that will be paid to the Company for exercising the options of a total of 200,000 NIS.

4.4 The price per share and the Exercising Price of the options will be determined through negotiations between the parties and they are as high as approximately 28% of the price the Company's share was traded in the Stock Exchange on the date of the approval of allocation by the Board of Directors, as detailed in Section 6 below.

To the best of the Company's knowledge, there are no significant shareholders in it or anyone of the employees who have an interest in the cost.

5. Registering regular shares for trading:

The regular shares and the exercised shares will be registered for trading and they will be traded (subject to confidentiality rules that are detailed in Section 9 below) according to and should they be traded on the same date all the more so the regular shares that are in the issued capital of the Company. As stated above, after the allocation, the ordinary shares and the exercised shares will be registered in the registered name of the Company, as is obligated by the provisions of the Stock Exchange regulations.

6. The price in the Stock Exchange of ordinary Offered Shares and the fair price of the warrants.

6.1 The price of the Company's stock in the Tel Aviv Stock Exchange Ltd. (hereinafter: "**the Stock Exchange**"), that is known for January 3, 2017, the date in which the Company's Board of Directors approved the connection (and also attached to the date of this report), was 0.78 NIS.

6.2 The price of the share in the Private Offer and the Exercising Price of all option is higher than approximately 28 % of the price of the share as detailed in Paragraph 6.1 above.

6.3 The fair value, according to the Black & Scholes formula that appears in the Stock Exchange guidelines, of the offered option is 0.426 NIS. The fair value is set in assumption that the options will be exercised on the last day of the exercising period for a payment of the

Exercising Price that was determined in relation to every option (1 NIS), based on the closing price of the Company's shares in the Stock Exchange on December 20, 2016 (0.729 NIS), on an annual standard deviation of 82.1 % and on annual riskless interest rates of 0.2%.

7. **The required approvals and terms that were determined for performing a securities allocation** to the Offerees subject to receiving approval of the Tel Aviv Stock Exchange Ltd. ("**the Stock Exchange**") for registration for trading of the Offered Shares and the Exercisable Shares that stemmed from exercising the options, if they were exercised, within the framework of the Private Offer.

Immediately following the publishing of this report, the Company will contact the Stock Exchange for the purpose of receiving approval as stated.

The shares that will be allocated to Offeree A and the Exercisable Shares that will be allocated to Offeree B, should he exercise the option he has, will be registered in the registered name of the Company, as liable to the provisions of Stock Exchange regulations. The options will not be registered for trading and will be registered in the name of Offeree B in the shareholder/options holder register of the Company.

The allocation to Offeree B is provided at the completion of the allocation to Offeree A.

8. **Agreements regarding the Company's securities or regarding voting rights** to the best of the Company's knowledge and according to what was sent by each of the Offerees and by the controlling shareholder, there are no agreements, written or oral, between the Offerees and another shareholder in the Company, or between the Offerees between themselves, regarding buying or selling the Company's securities or regarding the voting rights in it.

9. **Prevention or restriction in performing activities with securities allocated** on the sale of Offered Shares and Exercisable Shares, should they be allocated as a result of exercising the Offered Warrants, in whole or in part, restriction determined in Section 15c of the Securities Law, and in the Securities Regulations (details for review in Sections 15a to 15c of the law, 2000 ("**the Regulations**")), as detailed hereunder:

9.1 During the six (6) months beginning on the date of the allocation of the Offered Shares and option warrants ("**the Absolute Blocking Period**"), the Offerees will not be permitted to offer the Offered Shares, or the Exercisable Shares, according to the matter, during the Stock Exchange trading without publishing a prospectus issued by the Israeli Securities Authority.

9.2 In the six (6) consecutive quarters that are after the end of the Absolute Blocking Period, the Offerees will be permitted to offer during the trading in the Stock Exchange a prospectus as mentioned, subject to the following cumulative restrictions:

- (i) 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 that were prior to the day of the offer;
- (ii) the overall average amount for sales in the entire quarter by each of the Offerees separately will be no more than 1% of the issued and paid up capital of the Company, for the day of the offer.

For the matter of Section 9.2 only - "**issued and paid-up capital,**" except for shares that stemmed from 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 blacking period.

9.3 No restrictions will apply to the sales of shares that were allocated to the Offerees in a transaction outside of the Stock Exchange, regarding dates and amounts, other than each person who bought from the Offerees or any of them as mentioned shares that were allocated to him as mentioned in this report, will be in that Offerees place for the matter of upholding the provisions of the securities law and regulations.

10. **The allocation of securities date for the Offerees**

The allocation of the shares to Offeree A and the allocation of the option to Offeree B will be performed after the approval of the Stock Exchange is received for their registration for trading of the shares with the transfer of the payment amount for the Offered Shares, by Offeree A to the Company’s bank account.

Natural Resources Holdings Ltd.

Via Mr. Eran Mazor, Director