BLOCKCHAIN MINING LTD.
(FORMERLY: NATURAL RESOURCE HOLDINGS LTD.)

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

U.S. DOLLARS IN THOUSANDS

INDEX

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AUDITORS' REPORT

To the Shareholders of

BLOCKCHAIN MINING LTD.
(FORMERLY: NATURAL RESOURCE HOLDINGS LTD.)

We have audited the consolidated statements of financial position of Blockchain Mining Ltd. (formerly: Natural Resources Holdings Ltd.) ("the Company") as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations, changes in their equity and cash flows for each of the three years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Without qualifying our above opinion, we draw attention to the matters discussed in Note 1b to the financial statements regarding the Company's financial position. As of December 31, 2017, the Company has an accumulated deficit of approximately $ 14,585 thousand. Also, in the year ended December 31, 2017, the Company derived negative cash flows from operating activities totaling approximately $ 412 thousand. The Company's management estimates that as of the reporting date and the date of approval of the financial statements, the Company does not have sufficient financial resources for financing its continued operations in the foreseeable future. The Company's ability to repay its liabilities and continue its business operations is contingent on realizing management's plans for raising financial resources. These factors, together with other factors detailed in Note 1b below, raise significant doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

We also draw attention to the matter discussed in Note 6d to the financial statements regarding the Company's engagement in a share swap agreement with Backbone Hosting Solutions Inc. and its principal shareholders which has not yet been consummated as of the date of approval of the financial statements.

Tel-Aviv, Israel Strauss Lazer & Co.

March 29, 2018 Certified Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,	
		2017	**2016**
	Note	**U.S. dollars in thousands**	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3	375	9
Accounts receivable		23	-
		398	9
NON-CURRENT ASSETS:			
Property, plant and equipment - minerals	4	10,877	7,877
		11,275	7,886
CURRENT LIABILITIES:			
Accounts payable	5	136	267
Loans from controlling shareholder	11e	84	103
		220	370
EQUITY:	7		
Share capital		3,391	3,383
Share premium		21,615	20,800
Share options		483	-
Reserve from transaction with controlling shareholder		151	133
Accumulated deficit		(14,585)	(16,800)
		11,055	7,516
		11,275	7,886

The accompanying notes are an integral part of the consolidated financial statements.

March 29, 2018			
Date of approval of the financial statements	Tomer David External Director	Roy Sebag CEO and Director	Eran Mazor Director, CFO and Secretary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,		
		2017	**2016**	**2015**
	Note	**U.S. dollars in thousands (except per share data)**		
General and administrative expenses	8a	(760)	(133)	(100)
Revaluation (impairment) of property, plant and equipment - minerals	4	3,000	2,500	(6,400)
Operating income (loss)		2,240	2,367	(6,500)
Finance expenses	8b	(25)	(22)	(68)
Income (loss)		2,215	2,345	(6,568)
Other comprehensive income		-	-	-
Total comprehensive income (loss)		2,215	2,345	(6,568)
Basic earnings (loss) per share (in dollars)	10	0.164	0.194	(0.573)
Diluted earnings (loss) per share (in dollars)		0.162	0.194	(0.573)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Share premium	Share options	Reserve from transaction with controlling shareholder	Accumulated deficit	Total
	U.S. dollars in thousands					
Balance at January 1, 2015	3,380	20,523	-	52	(12,577)	11,378
Movement in 2015:						
Loss	-	-	-	-	(6,568)	(6,568)
Issuance of shares to controlling shareholder	3	277	-	-	-	280
Capital benefit from transaction with controlling shareholder	-	-	-	55	-	55
Balance at December 31, 2015	3,383	20,800	-	107	(19,145)	5,145
Movement in 2016:						
Income	-	-	-	-	2,345	2,345
Capital benefit from transaction with controlling shareholder	-	-	-	26	-	26
Balance at December 31, 2016	3,383	20,800	-	133	(16,800)	7,516
Movement in 2017:						
Income	-	-	-	-	2,215	2,215
Issuance of share capital	6	640	-	-	-	646
Exercise of options into shares	1	56	-	-	-	57
Issuance of shares to controlling shareholder	1	119	-	-	-	120
Share-based payment	-	-	483	-	-	483
Capital benefit from transaction with controlling shareholder	-	-	-	18	-	18
Balance at December 31, 2017	3,391	21,615	483	151	(14,585)	11,055

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2017	2016	2015
	U.S. dollars in thousands		
Cash flows from operating activities:			
Income (loss)	2,215	2,345	(6,568)
Adjustments to reconcile income (loss) to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Revaluation of loan from controlling shareholder	24	19	63
Share-based payment	483	-	-
Impairment (revaluation) of property, plant and equipment - minerals	(3,000)	(2,500)	6,400
Loss from available-for-sale financial assets	-	-	1
	(2,493)	(2,481)	6,464
Changes in asset and liability items:			
Decrease (increase) in accounts receivable	(23)	1	-
Increase (decrease) in accounts payable	(111)	61	(34)
	(134)	62	(34)
Net cash used in operating activities	(412)	(74)	(138)
Cash flows from investing activities:			
Proceeds from sale of available-for-sale financial assets	-	-	7
Net cash provided by investing activities	-	-	7
Cash flows from financing activities:			
Issuance of share capital	646	-	-
Exercise of options into shares	57	-	-
Receipt of loan from controlling shareholder	75	75	145
Credit from bank	-	-	(6)
Net cash provided by financing activities	778	75	139
Increase in cash and cash equivalents	366	1	8
Cash and cash equivalents at the beginning of the year	9	8	-
Cash and cash equivalents at the end of the year	375	9	8
Significant non-cash activities:			
Repayment of loan from controlling shareholder in return for issuance of shares	120	-	280

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1:- GENERAL

a. Blockchain Mining Ltd. (formerly: Natural Resource Holdings Ltd.) ("the Company") was incorporated in Israel in June 1981. In April 1994, the Company became a public company and its shares began trading on the Tel-Aviv Stock Exchange ("the TASE"). The Company operates in the natural resources industry by investing, directly and through its investees (collectively - "the Group"), in natural resources ("the assets"). The investments are made by purchasing the assets directly or indirectly by purchasing shares in the private corporations or publicly traded companies worldwide which hold the assets. See more information of the Group's mineral assets in Note 4 below.

In 2011, the Company established AU Acquisition VI, LLC ("AU") which is incorporated in the State of Nevada, USA and is wholly owned and controlled by the Company. AU is registered as the legal owner of the mineral assets, Hidden Lake and Victorine (see more information in Notes 4b(2) and 4b(3) below, respectively). Also in 2011, the Company established Pembroke & Timberland, LLC ("Pembroke") in the State of Maine, USA which is also wholly owned and controlled by the Company. Pembroke is registered as the legal owner of the Pembroke mineral asset (dee more information in Note 4b(4) below).

On October 17, 2017, the Company's Board decided to examine the possibility of revising the Company's business strategy and entering into the blockchain and cryptocurrencies industry, including cryptocurrency mining. In this context, the Company entered into engagements with two Canadian investment banks for identifying prospective blockchain transactions (see Note 6c below).

See Note 6d below regarding the Company's engagement with Backbone Hosting Solutions Inc. ("Backbone"), a private Canadian company, and its major shareholders in a share swap agreement which has not yet been consummated as of the date of approval of the financial statements.

b. As of December 31, 2017, the Company has an accumulated deficit of approximately $ 14,585, thousand. Furthermore, in the year ended December 31, 2017, the Company incurred negative cash flows from operating activities totaling approximately $ 412 thousand. The Company's management estimates that as of the reporting date and the date of approval of the financial statements, the Company does not have sufficient financial resources for financing its continued operations in the foreseeable future.

The Company's ability to repay its liabilities and continue its business operations is contingent on realizing management's and the Board's plans for improving the Company's financial position through raising capital by way of merger and/or through shareholders' loans (as for the loans provided by the Company's controlling shareholder which were converted into Company shares and the share swap transaction entered into by the Company which has not yet been consummated as of the date of approval of the financial statements, see Notes 11e and 6d below, respectively).

These factors raise significant doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

NOTE 1:- GENERAL (Cont.)

c. On December 17, 2017, in keeping with the approval of the Company's general meeting of November 22, 2017, the Registrar of Companies approved the change in the Company's name from Natural Resource Holdings Ltd. to its current name, Blockchain Mining Ltd.

d. The Company did not attach to its financial statements as of December 31, 2017 separate interim financial information in accordance with Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970 in view of the negligible effect that the financial statements of the subsidiaries have on the consolidated financial statements and the fact that the separate financial information does not add to the information included in the Company's consolidated financial statements given that the subsidiaries are inactive and hold mineral assets which account for less than 10% of the Company's total assets.

e. Definitions:

In these financial statements:

The Company	-	Blockchain Mining Ltd. (formerly: Natural Resource Holdings Ltd.).
The Group	-	The Company and its subsidiaries.
Subsidiaries	-	Companies that are controlled by the Company and whose accounts are fully consolidated with those of the Company.
Related parties	-	As defined in IAS 24.
Interested parties and controlling shareholder	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented.

a. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

The Company's financial statements have been prepared on a cost basis.

The Company has elected to present the profit or loss items using the function of expense method.

b. The significant accounting judgments, estimates and assumptions 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, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

- Transactions with controlling shareholder:

  Transactions with the controlling shareholder are measured at fair value. In 2011, the Company acquired from the controlling shareholder a mineral asset - an iron ore mine in Canada (see Note 4b(1) below). The fair value of the mineral asset was determined based on an external independent valuation.

  The Company also received loans from the controlling shareholder which are linked to the U.S. dollar and do not bear interest (see Note 11e below). The Company accounted for these transactions as capital benefits. The difference between the fair value of the loans from the controlling shareholder and their nominal amount was carried to equity. In order to determine the fair value, the Company estimated the market terms on the transaction date, including the fair value of the loans as if they been received from unrelated third parties. Since the loans have no maturity date, their fair value is remeasured annually based on the present value of the expected cash flows in their respect, discounted at the Company's interest rate.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- Impairment of property, plant and equipment - mineral assets:

  The Company reviews the need for recording impairment of mineral assets, as detailed in paragraph i below, for which purpose it hires independent external appraisers to evaluate the value of the assets. The fair value is normally determined using the comparison method by analyzing similar and comparable assets while making adjustments and assumptions regarding certain parameters. As for impairment losses and reversal of impairment losses recorded in the reporting periods in connection with the Company's Suni mineral asset, see Note 4b(1) below.

- Share-based payment:

  The fair value of share-based payment transactions is determined using an acceptable option pricing model. The inputs to the model include share price and exercise price and assumptions regarding expected volatility, expected life of share option, expected dividend yield and risk-free interest rate.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are 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.

Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

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.

d. Functional currency and presentation currency:

1. Functional currency and presentation currency:

   The financial statements are presented in U.S. dollars, the Company's functional currency, which is the currency that best reflects the economic environment in which the Company operates and conducts its transactions. The Group determines the functional currency of each Group entity and uses it to measure each Group entity's financial position and operating results.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Transactions, assets and liabilities in foreign currency:

   Transactions denominated in foreign currency (other than the functional 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 each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalized to qualifying assets or accounted for as hedging transactions in equity, are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost 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 each reporting date according to the terms of the agreement.

e. Cash equivalents:

The Company considers highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment, to be cash equivalents.

f. Transactions with a controlling shareholder:

Transactions with a controlling shareholder are recognized at their fair value on the date of the transaction. The difference between the fair value and the consideration set out in the transaction is recorded in a separate item in equity ("reserve from transactions with controlling shareholder").

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Financial instruments:

1. Financial assets:

a) Loans and receivables:

The Group has loans and receivables that are financial assets (non-derivative) with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at amortized cost using the effective interest method taking into account directly attributable transaction costs. Short-term receivables (such as trade and other receivables) are measured based on their terms, normally at face value. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the systematic amortization process.

If there is objective evidence of an impairment loss in respect of loans and receivables presented at amortized cost, the amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The asset's carrying amount is reduced by recording a provision. In subsequent periods, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

b) Available-for-sale financial assets:

Available-for-sale financial assets are (non-derivative) financial assets that are designated as available-for-sale or are not classified in any of the following three categories: loans and receivables, investments held to maturity or financial assets measured at fair value through profit or loss. Available-for-sale financial assets are initially measured at fair value with the addition of directly attributable transaction costs. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from fair value adjustments are recognized directly in equity as other comprehensive income (loss) in the reserve for available-for-sale financial assets. When the investment is disposed of or in case of impairment, the other comprehensive income (loss) is recognized in profit or loss. Interest income from investments in debt securities is recognized in profit or loss on an accrual basis using the effective interest rate method. Dividend income from investments in equity instruments is recognized in profit or loss on the date of entitlement to the dividend.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Where there is evidence of impairment, the cumulative loss recorded in other comprehensive income, measured as the difference between the purchase price (less principal payments, amortization using the effective interest rate method and previous impairment losses) and the fair value, is reclassified to profit or loss. In subsequent periods, the reversal of impairment loss in respect of equity instruments is carried to other comprehensive income. The amount of the impairment loss is reversed if the increase in fair value can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

c) Derecognition of financial assets:

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Group has transferred substantially all the risks and rewards associated with the asset to a third party.

2. Financial liabilities:

a) Interest-bearing loans and borrowings:

Interest-bearing loans and borrowings are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are measured at amortized cost using the effective interest method. Short-term borrowings (such as trade and other payables) are measured based on their terms, normally at face value. Gains and losses are recognized in profit or loss when the financial liability is derecognized as well as through the systematic amortization process.

b) Derecognition of financial liabilities:

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires.

c) Settlement of financial liabilities through issuance of equity instruments:

Equity instruments issued to replace debt are measured at the fair value of the issued equity instruments, if it can be measured reliably. If the fair value of the equity instruments cannot be estimated reliably, they are measured at the fair value of the settled financial liability on the settlement date. The difference between the carrying amount of the settled financial liability and the fair value of the issued equity instruments is carried to profit and loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Property, plant and equipment - mineral assets:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated impairment losses and excluding day-to-day servicing expenses.

Mineral assets mainly consist of the Company's interests in natural resource mines and deposits.

i. Impairment of non-financial assets:

The Group evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets 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. An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

j. 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.

k. Revenue recognition:

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Share-based payment transactions:

The Group's service providers are entitled to remuneration in the form of equity-settled share-based payment transactions. The cost of the transactions is measured at the fair value of the goods or services received as consideration for 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 performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become 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.

m. Earnings (loss) per share:

Basic earnings (loss) per share are calculated by dividing the income (loss) attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period, retroactively adjusted for bonus shares, share consolidation or share split.

Potential Ordinary shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share.

n. The operating cycle:

The Company's operating cycle is 12 months.

o. 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.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Disclosure of the effect of new IFRSs in the period prior to their adoption:

1. IFRS 9, "Financial Instruments":

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("IFRS 9"), which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 mainly focuses on the classification and measurement of financial assets and it applies to all assets in the scope of IAS 39.

According to IFRS 9, all financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortized cost only if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.

- 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.

Subsequent measurement of all other debt instruments and financial assets should be at fair value. IFRS 9 establishes a distinction between debt instruments to be measured at fair value through profit or loss and debt instruments to be measured at fair value through other comprehensive income.

Financial assets that are equity instruments should be measured in subsequent periods at fair value and the changes recognized in profit or loss or in other comprehensive income (loss), in accordance with the election by the Company on an instrument-by-instrument basis. If equity instruments are held for trading, they should be measured at fair value through profit or loss.

The new Standard introduces a three-stage model for measuring impairment of financial debt instruments that are not measured at fair value through profit or loss based on the expected credit loss method. Each stage determines the basis of measurement of expected credit losses based on the changes in the debt instrument's credit risk. The model also grants a relief for financial assets with short credit terms, such as trade receivables.

According to IFRS 9, the classification and measurement of financial liabilities are unchanged, except for changes in the fair value of financial liabilities which are attributable to the change in credit risk and should be presented in other comprehensive income.

IFRS 9 also prescribes new hedge accounting requirements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IFRS 9 is to be applied for annual periods beginning on January 1, 2018. The provisions of the new Standard should be adopted retrospectively with no mandatory restatement of comparative figures.

After having evaluated the implications of the adoption of the new Standard, the Company estimates that its adoption is not expected to have a material impact on the Company's financial statements.

2. IFRS 15, "Revenue from Contracts with Customers":

IFRS 15 ("the new Standard") was issued by the IASB in May 2014 and supersedes previously issued revenue recognition guidelines in other IFRSs.

The new Standard introduces a five-step model that will apply to revenue earned 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.

The new Standard is to be applied retrospectively for annual periods beginning on January 1, 2018. Early adoption is permitted. The new Standard allows the option of modified retrospective adoption with certain reliefs according to which the new Standard will be applied to existing contracts from the initial period of adoption and thereafter with no restatement of comparative data. Under this option, the Company will recognize the cumulative effect of the initial adoption of the new Standard as an adjustment to the opening balance of retained earnings (or another component of equity, as applicable) as of the date of initial application. Alternatively, the new Standard permits full retrospective adoption with certain reliefs.

After having evaluated the effects of the application of the new Standard, given that the Company has yet to generate any income from business operations, the Company believes that the adoption is not expected to have a material effect on the Company's financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("the new Standard"). According to the new Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The effects of the adoption of the new Standard are as follows:

- Lessees are required to recognize an asset and a corresponding liability in the statement of financial position in respect of all leases (except in certain cases, see below) similar to the accounting treatment of finance leases according to the existing IAS 17, "Leases".

- Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset. Lessees will also recognize interest and depreciation expense separately.

- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates, but are based on performance or use (such as a percentage of revenues) are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.

- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and the effect of the remeasurement is an adjustment to the carrying amount of the right-of-use asset.

- The new Standard includes two exceptions according to which lessees are permitted to elect to apply a method similar to the current accounting treatment for operating leases. These exceptions are leases for which the underlying asset is of low value and leases with a term of up to one year.

- The accounting treatment by lessors remains substantially unchanged, namely classification of a lease as a finance lease or an operating lease.

The new Standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted. At this stage, the Company does not intend to early adopt the new Standard.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The new Standard permits lessees to adopt the modified retrospective approach according to which the outstanding liability as of the date of initial adoption of the Standard will be calculated using the existing discount interest rate s of that date. As for the outstanding right-of-use asset, the Company may choose for each lease individually whether to recognize an asset in the amount of the recognized liability or alternatively recognize the asset as if it has always been measured according to the provisions of the new Standard. Any difference created on the date of initial recognition will be recognized as an adjustment to retained earnings on that date with no restatement of comparative figures. Alternatively, the full retrospective approach can be adopted with restatement of comparative figures.

After having evaluated the effects of the application of the new Standard, the Company believes that the adoption is not expected to have a material effect on the Company's financial statements.

NOTE 3:- CASH AND CASH EQUIVALENTS

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Cash for immediate withdrawal - in NIS	124	9
Cash for immediate withdrawal - in USD	251	-
	375	9

NOTE 4:- PROPERTY, PLANT AND EQUIPMENT - MINERAL ASSETS

a. Composition:

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Suni iron ore mine (*)	10,500	7,500
Hidden Lake gold mine	226	226
Victorine gold mine	48	48
Pembroke silver mine	103	103
	10,877	7,877

(*) As of the reporting date, the asset is presented net of a provision for impairment totaling approximately $ 5,189 thousand (December 31, 2016 - approximately $ 8,189 thousand).

NOTE 4:- PROPERTY, PLANT AND EQUIPMENT - MINERAL ASSETS (Cont.)

b. Additional information of the Group's mineral assets:

1. Suni iron ore mine:

On June 2, 2011, the Company's general meeting approved the Company's engagement with the controlling shareholder in a transaction for the purchase of the latter's mining interests in the Suni iron ore mine in Canada ("Suni") in return for the allocation of 1,500,000 Ordinary shares of the Company and reimbursement of expenses totaling approximately $ 145 thousand incurred in the preparation of a technical report, valuation and magnetic survey for Suni. The Suni iron ore deposit was recorded in the Company's financial statements at its fair value on the date of acquisition in accordance with the provisions of IFRS 2 and based on the valuation.

According to the findings of a resource valuation prepared for Suni in 2011 (by JORC Code, The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) with estimated dilution of 20%, the deposit consists of about 280.2 million tons at about 28% of Fe of which about 95.1 million tons at about 28.5% in the indicated category and about 185.1 million tons at about 27.8% in the inferred category.

In view of changes in prices of iron ore which occurred shortly before the reporting dates, the Company hired an independent external appraiser for preparing a valuation of Suni's fair value at December 31, 2017, 2016 and 2015. Based on the valuation received from the appraiser based on the comparison method and the analysis of similar assets, following certain adjustments, and based, among others, on the prices of iron ore, Suni's value at December 31, 2017, 2016 and 2015 was estimated at approximately $ 10.5 million, $ 7.5 million and $ 5 million, respectively.

Based on said valuation, in 2017 and 2016, the Company recorded a gain from the reversal of an impairment loss in the amount of approximately $ 3 million and $ 2.5 million, respectively and in 2015, the Company recorded an impairment loss of approximately $ 6.4 million, all of which were carried to profit and loss in the relevant years.

2. Hidden Lake gold mine:

On March 21, 2011, the Company's Audit Committee and Board decided to approve a transaction (which based on the Company's legal counsel did not require the approval of the Company's general meeting) for the assignment of an option for the purchase of the Hidden Lake gold mine from the controlling shareholder to the Company for no consideration.

On March 29, 2011, the Company entered into an agreement for the exercise of said option and the acquisition of the asset whereby it paid the owner of the Hidden Lake gold mine ("the seller") in 2011 an amount of $ 85 thousand in cash and allocated to the seller 106,800 Ordinary shares of NIS 0.01 par value each of the Company. Also, in 2013, the Company paid the seller another $ 45 thousand arising from a price hedge grated to the seller in respect of the shares allocated to it. Following said payment, the Company has no other outstanding liabilities to the seller.

NOTE 4:- PROPERTY, PLANT AND EQUIPMENT - MINERAL ASSETS (Cont.)

3. Victorine gold mine:

   On August 5, 2011, the Company, through the subsidiary AU, entered into an agreement with an unrelated third party for the purchase of a gold mine located in Lander County in Nevada, USA covering an area of some 40 thousand sq. m. (Victorine").

   On August 18, 2011, the Company, through AU, completed the purchase of an adjacent plot of land covering an area of some 648 thousand sq. m. The total cost of the investment in Victorine and the adjacent land approximated $ 50 thousand, of which approximately $ 20 thousand has not yet been paid as of the reporting date. Based on the findings of a historic resource evaluation which relies on drillings made in Victorine, there are gold deposits in the mine.

4. Pembroke silver mine:

   On November 30, 2011, the Company completed an engagement, through Pembroke, with an unrelated third party in an agreement for the purchase of five plots of land located in Pembroke, Maine, USA, covering an overall area of some 1,333 thousand sq. m. ("the land"). The overall purchase price of the land approximated $ 100 thousand, paid in cash. Based on historic resource evaluations which rely on drillings made on the land, there are silver and zinc deposits in the mine.

In the reporting periods and as of the date of approval of the financial statements, based on the Company's business strategy of holding long-term assets, the abovementioned mineral assets were all inactive.

NOTE 5:- ACCOUNTS PAYABLE

	December 31,	
	2017	**2016**
	U.S. dollars in thousands	
Accrued expenses	116	221
Interested party	-	20
Liability for purchase of mineral assets (*)	20	20
Other	-	6
	136	267

(*) See Note 4b(3).

NOTE 6:- COMMITMENTS

a. On March 13, 2017, the Company completed a private placement of securities in the context of which the Company issued 1,000,000 Ordinary shares of NIS 0.01 par value each of the Company, accounting for about 7.34% of the Company's issued and outstanding share capital after the issuance ("the issued shares"), to Industrial Valores S.A. ("Valores"), a company incorporated in Argentina whose controlling shareholder, to the best of the Company's knowledge, based on information delivered by Valores, is Mr. Andres Patricio Meta. The shares were issued in return for NIS 1 per share and for total proceeds of NIS 1 million (approximately $ 271 thousand).

In addition, on the same date, the Company issued 200,000 non-marketable share options to Mr. Andres Finkelstein, a U.S. citizen, in keeping with the decision of the Company's Board to remunerate Mr. Finkelstein for assisting in the liaison between the Company and Valores and in the engagement with the latter. The share options were exercisable into Ordinary shares of NIS 0.01 par value each of the Company for an exercise price of NIS 1 per share option at any time for a period of five years from the date of issuance. Since the grant of the share options to Mr. Finkelstein represents issuance expenses incurred to the Company in the issuance of the shares to Valores as above, their issuance had no effect on the Company's equity.

On December 13, 2017, Mr. Finkelstein exercised the share options issued to him for total proceeds of NIS 200 thousand (approximately $ 57 thousand). The shares deriving from the exercise accounted for about 1.3% of the Company's issued and outstanding share capital shortly after their issuance.

b. On October 31, 2017, the Company completed a private placement of securities in the context of which the Company issued 1,100,000 Ordinary shares of NIS 0.01 par value each of the Company, accounting for about 8% of the Company's issued and outstanding share capital on the issuance date in consideration of NIS 1.25 per share.

The immediate (gross) proceeds from the issuance amounted to approximately NIS 1,375 thousand (approximately $ 387 thousand). The net proceeds (less issuance expenses) amounted to approximately NIS 1,316 thousand (approximately $ 375 thousand).

c. On November 19, 2017, the Company entered into agreements with two Canadian investment banks for identifying prospective blockchain transactions for the Company. In return, the investment banks will be entitled to a consideration partly paid in cash and partly in options, contingent on the transactions which will be signed by the Company, if any.

In addition, on November 27, 2017, the Company's Board approved the allocation of 300,000 (non-marketable) share options to said investment banks (150,000 share options each) which can be exercised immediately over a period of five years into 300,000 Ordinary shares of the Company for an exercise price of NIS 3 per option.

NOTE 6:- COMMITMENTS (Cont.)

The fair value of the share options was estimated on the date of grant using the Black & Scholes option pricing model at approximately NIS 1,693 thousand (approximately $ 483 thousand) based on the following inputs:

Share price (NIS)	7.397
Exercise price (NIS)	3
Expected volatility of share price (%)	73.5%
Expected life of share options (years)	5
Risk-free interest rate (%)	0.89%
Expected dividend yield (%)	--

d. On December 6, 2017, the Company entered into a share swap agreement, as amended on January 10, 2018 ("the agreement"), with Backbone Hosting Solutions Inc. ("Backbone") and five of Backbone's principal shareholders ("the principal shareholders"). Backbone is a private company registered in Canada which began its business activity on November 6, 2017. Backbone operates a server farm in Canada which supplies power for the crypto currency industry, including mining of Bitcoin, Cash, Ethereum and Litecoin.

According to the agreement, the Company will purchase from the principal shareholders up to 60.69% of Backbone's shares in return for the allocation of up to 70.51% of the Company's shares post allocation ("the issued shares") through a mutual share swap with two of the principal shareholders ("the Canadian shareholders") in order to achieve the optimal taxation of the transaction for the Canadian shareholders ("the mutual options"). The mutual options are exercisable by the parties for a period of seven years from the date of consummation of the transaction whereby on the consummation date, the Company will enter into a shareholders' agreement with the Canadian shareholders regarding the interests in Backbone according to which as long as the mutual options are in effect, the Company will hold all the voting rights in Backbone and the Canadian shareholders will not be able to transfer or sell their interests in Backbone.

Also according to the agreement, the principal shareholders will enter into a shareholders' agreement that will include directives on mutual voting of the principal shareholders in the Company's general meetings and restrictions on the transfer of shares, excluding inter-transfers of shares among the principal shareholders. Moreover, on the date of consummation of the transaction, the principal shareholders whose interests, assuming the mutual options had been exercised, account for about 70.5% of the Company's issued and outstanding share capital following the transaction (on a fully diluted basis) will become the controlling shareholders in the Company and the current controlling shareholder, Mr. Roy Sebag, will hold about 15.75% of the Company's issued and outstanding share capital following the transaction (on a fully diluted basis) and will no longer be viewed as a controlling shareholder in the Company.

NOTE 6:- COMMITMENTS (Cont.)

Also on the date of consummation of the transaction, four of the principal shareholders currently serving as directors and/or officers in Backbone will be appointed as directors in the Company and will begin receiving their directors' fees from Backbone.

On March 29, 2018, the Company's general meeting approved the allocation of the issued shares, including the allocation of the mutual options, and the appointment of directors (including actual appointments) and the underlying service terms.

The consummation of the transaction of the transaction is contingent on obtaining the approvals required by law as well as additional suspending conditions such as the TASE's approval for listing the issued shares for trade and signing mutual option agreements to the Canadian shareholders' satisfaction.

As of the date of approval of the financial statements, the above suspending conditions underlying the consummation of the transaction have not yet been met.

NOTE 7:- EQUITY

a. Share capital:

1. Composition:

	Authorized	Issued and outstanding	
	December 31,	December 31,	
	2017 and 2016	2017	2016
	Number of shares		
Ordinary shares of NIS 0.01 par value each	1,000,000,000	14,920,466	12,091,666

2. Changes in issued and outstanding share capital:

	Number of shares	U.S. dollars in thousands
Balance at January 1, 2017	10,857,800	3,380
Issuance of shares (1)	2,100,000	6
Exercise of options into shares (2)	200,000	1
Allocation of shares to controlling shareholder (3)	1,762,666	4
Balance at December 31, 2017	14,920,466	3,391

(1) See Notes 6a and 6b above.
(2) See Note 6a above.
(3) See Note 11e below.

NOTE 7:- EQUITY (Cont.)

3. On October 24, 2011, the Company entered into a depository agreement with The Bank of New York Mellon ("BNY") according to which the Company's shares will be deposited at BNY as trustee in return for the issuance of American Depository Receipts ("ADRs"). Consequently, on November 14, 2011, the Company's ADRs began trading in the USA. Following are details of the Company's ADRs:

Stock Exchange	OTC, USA
Ticker Symbol	NRHYY
CUSIP Number	639010107
ISIN	US6390101078
ADR to Ordinary share ratio	1:2

b. Share options:

As for the allocation of share options in the context of a private placement and their exercise in the reporting year and the allocation of share options to two Canadian investment banks, see Note 6a and 6c above, respectively.

NOTE 8:- ADDITIONAL INFORMATION TO THE PROFIT OR LOSS ITEMS

a. General and administrative expenses:

	Year ended December 31,		
	2017	**2016**	**2015**
	U.S. dollars in thousands		
Professional services	154	93	121
Share-based payment	483	-	-
Directors' fees	26	33	37
Foreign business trips	56	-	-
Update of provision for holding interests in mineral assets	25	-	(60)
Other	16	7	2
	760	133	100

NOTE 8:- ADDITIONAL INFORMATION TO THE PROFIT OR LOSS ITEMS (Cont.)

b. Finance expenses:

	Year ended December 31,		
	2017	**2016**	**2015**
	U.S. dollars in thousands		
Loss on available-for-sale financial assets	-	-	1
Revaluation of loan from controlling shareholder	24	19	63
Other	1	3	4
	25	22	68

NOTE 9:- TAXES ON INCOME

a. Tax rates applicable to the Company:

The Israeli corporate tax rate was 24% in the reporting year (25% in 2016 and 26.5% in 2014).

In January 2016, the Law for Amending the Income Tax Ordinance (No. 216) (Reduction of Corporate Tax Rate), 2016 was approved, which includes a 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% effective from January 1, 2017 and to 23% effective from January 1, 2018.

The above changes in tax rates had no effect on the financial statements.

b. Tax assessments:

The Company received final tax assessments (including assessments that are deemed final pursuant to the statute of limitation) through the 2012 tax year.

c. Losses carried forward for tax purposes:

As of December 31, 2017, the Company has business and capital losses carried forward for tax purposes totaling approximately $ 19.1 million and $ 13.8 million, respectively. Since the Company does not expect to generate taxable income in the foreseeable future, no deferred tax assets were recognized in the Company's financial statements.

NOTE 10:- EARNINGS (LOSS) PER SHARE

	Year ended December 31,					
	2017		2016		2015	
	Weighted number of shares	Income	Weighted number of shares	Income	Weighted number of shares	Loss
	In thousands	USD in thousands	In thousands	USD in thousands	In thousands	USD in thousands
For the computation of basic earnings (loss) per share	13,513	2,215	12,092	2,345	11,460	(6,568)
Adjustment for share options	124	-	-	-	-	-
For the computation of diluted earnings (loss) per share	13,637	2,215	12,092	2,345	11,460	(6,568)

NOTE 11:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Balances with interested parties and officers:

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Accounts payable	-	(20)
Loan from controlling shareholder	(84)	(103)
Directors' remuneration (included in accrued expenses)	(22)	(73)
Finance management services (included in accrued expenses)	(2)	(29)

b. Benefits to interested parties:

	Year ended December 31,		
	2017	2016	2015
Directors' fees (U.S. dollars in thousands)	26	33	37
Number of recipients	3	3	3
Management fees (U.S. dollars in thousands)	26	23	23
Number of recipients	1	1	1

NOTE 11:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

c. Transactions with interested parties:

1. As for transactions for the purchase of mineral assets from the controlling shareholder in the Company, see Note 4 above.

2. As for loans received from the controlling shareholder in the Company and their conversion into Company shares, see paragraph e below.

d. The Company's articles of association allow the Company to purchase officers' liability insurance policies and indemnify officers prospectively or retrospectively, as prescribed by applicable laws. The Company purchases directors' and officers' liability insurance policies as required by law.

e. Loans from the controlling shareholder:

1. In January 2014, in keeping with Regulation 1(2) to the Companies Regulations (Reliefs in Interested Party Transactions), 2000, the Company's Audit Committee and Board approved the receipt of a credit line from the controlling shareholder in a maximum amount of $ 200 thousand ("the old credit line"). The old credit line is linked to the U.S. dollar and bears no interest. The controlling shareholder may not demand the repayment of amounts in the context of the old credit line if such repayment impairs the Company's ability to meet all its liabilities in the period of 12 months following such repayment date. The controlling shareholder informed the Company's Board that he will consider asking the Company to allocate him additional shares in the Company against the old credit line. It is hereby clarified that any such allocation of shares is subject to obtaining all the necessary legal approvals, including pursuant to the provisions of Articles 270 and 275 to the Israeli Companies Law, 1999.

   On April 13, 2015, the Company's general meeting approved a transaction with the controlling shareholder in the Company according to which Mr. Sebag will provide the Company a credit line in a maximum amount of $ 200 thousand ("the new credit line") to be used for the Company's current business activities and at its discretion, in addition to the old credit line provided by Mr. Sebag which had been utilized in full. The new credit line is linked to the U.S. dollar, is interest free and can be used by the Company for a period of six months from the date of approval of the transaction by the general meeting.

   In 2016 and 2015, Mr. Sebag provided the Company loans totaling approximately $ 55 thousand and $ 145 thousand, respectively, representing the entire new credit line.

NOTE 11:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

In addition, the general meeting confirmed the allocation of Ordinary shares of NIS 0.01 par value each of the Company at a conversion ratio of NIS 0.9 per share to Mr. Sebag against the old and new credit lines.

Accordingly, in respect of the old credit line and an additional amount of $ 80 thousand provided to the Company by Mr. Sebag on account of the new credit line in the first half of 2015, on July 6, 2015, the Company allocated to Mr. Sebag 1,233,866 Ordinary shares of NIS 0.01 par value each of the Company. Moreover, on November 30, 2016, in keeping with the approval of the Company's general meeting as discussed above, the Company's Board approved the allocation of an additional 528,800 Ordinary shares of NIS 0.01 par value each of the Company ("the additional shares") to Mr. Sebag against the balance of the new credit line of $ 120 thousand provided to the Company. On March 13, 2017, the additional shares were granted to Mr. Sebag.

2. On July 24, 2017, the Company's general meeting approved the receipt of a credit line from the controlling shareholder in a maximum amount of $ 400 thousand ("the credit line") as a master transaction pursuant to the Companies Regulations (Reliefs in Interested Party Transactions), 2000. The credit line is linked to the dollar, bears no interest and will serve the Company for financing its operating activities at its discretion. The credit line can be used by the Company for a period of two years from the date of the general meeting's approval as above ("the credit period") by decision to be made by the Company's Audit Committee.

   Against the repayment of the loans to be received from the controlling shareholder in the context of the credit line as they will be from time to time (in whole or in part), the Company will issue to the controlling shareholder Ordinary shares of NIS 0.01 par value each of the Company at a conversion ratio of NIS 0.83 per share, on the dates determined by the Company's audit committee and at its discretion, and without the Company's commitment to issue any such shares to the controlling shareholder. For the calculation of the conversion ratio, any dollar amount extended by the controlling shareholder to the Company will be calculated at the representative U.S. Dollar-NIS exchange rate prevailing on the date of the Board's approval of the transaction (April 26, 2017).

   It should be clarified that the right to decide on the conversion of the outstanding loans into Company shares will not be conferred to the controlling shareholder (or anyone on his behalf) but rather to the Company and the related decisions will be made by the Company's audit committee, unless the Board is convinced that the repayment of the outstanding credit line, as it will be from time to time (in whole or in part), will not impair the Company's ability to repay its entire known and expected liabilities for the next 12 months at least, in which case the controlling shareholder will be entitled to demand the repayment of the outstanding loans indefinitely. Moreover, any loan outstanding at the end of the credit period will be converted on that date to Company shares based on the conversion ratio described above.

NOTE 11:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

Assuming the entire credit line is utilized by the Company and based on the conversion ratio described above, the maximum number of Company shares that will be issued to the controlling shareholder will be 1,758,072 Ordinary shares of NIS 0.01 par value each of the Company accounting for about 12.9% of the Company's issued and outstanding share capital and voting rights before the issuance (about 12.72% on a fully diluted basis) and about 11.43% after the issuance (about 11.28% on a fully diluted basis).

In the reporting year, the Company utilized an amount of approximately $ 75 thousand of the credit line by reimbursement of the expenses incurred to the controlling shareholder which the Board concluded were business expenses incurred in the ordinary course of business of the Company.

As for the utilization of the remaining credit line after the reporting date and its conversion to Company shares, see Note 14a below.

3. The balance of loans extended to the Company by Mr. Sebag, the controlling shareholder, as included in the statement of financial position as of the reporting date totaled approximately $ 84 thousand. The value of the benefit underlying the loans received from the controlling shareholder in 2017, 2016 and 2015 amounted to approximately $ 18 thousand, $ 26 thousand and $ 55 thousand, respectively, and was carried directly to equity under "reserve from transactions with controlling shareholder" in the relevant years.

f. As for the termination of Mr. Sebag's service as Chairman of the Company's Board after the reporting date, see Note 14b below.

NOTE 12:- FINANCIAL INSTRUMENTS

a. Risk management policy:

The Group's activities expose it to various financial risks such as market risk (including currency risk, fair value in respect of interest rate risk and price risk), credit risk, liquidity risk and cash flow in respect of interest rate 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 Group does not utilize derivatives in order to hedge certain exposures to risks. Risk management is conducted based on the policy approved by the Board.

b. Credit risk:

Concentrations of credit risk may arise from the exposure to a single debtor or groups of debtors with similar economic characteristics whose ability to discharge their obligations will be similarly affected by changes in economic or other conditions. The Group has no significant concentrations of credit risk.

The Group maintains cash and cash equivalents in high ranking financial institutions. The Group estimates that the exposure to credit risk in respect of these financial instruments is low.

c. Classification of financial instruments:

The Company's financial instruments are classified by groups of financial instruments pursuant to IAS 39 as follows:

	December 31,	
	2017	**2016**
	U.S. dollars in thousands	
Financial assets:		
Cash and cash equivalents	375	9
Financial liabilities:		
Financial liabilities measured at amortized cost	(220)	(370)
	155	(361)

d. Currency risk:

Currency risk is the risk of fluctuations in the value of a financial instrument as a result of changes in a foreign currency's exchange rate. As of the reporting date, the Company has no significant currency risk.

NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

e. Fair value:

The fair value of the Company's financial instruments approximates their carrying amount.

f. Liquidity risk:

The Group's liquidity risk mainly arises from the fact that it does not generate income from operating activities but in contrast incurs current expenses.

The Group's financial liabilities mature within 12 months from the reporting date.

As for the Company's financial position, see Note 1b above.

NOTE 13:- INVESTMENTS IN INVESTEES

Following are details of the Company's investees as of the reporting date:

Company name	Security type	No. of shares	Main place of business	Scope of investment in subsidiary USD'000	% of rights in Securities	Equity	Voting	Appointment of officers
AU Acquisitions VL, LLC	Ordinary shares	100	USA	274	100%	100%	100%	100%
Pembroke & Timberland, LLC	Ordinary shares	100	USA	103	100%	100%	100%	100%

NOTE 14:- EVENTS AFTER THE REPORTING DATE

a. On January 31, 2018, after the outstanding credit line provided by the controlling shareholder to the Company had been utilized in full and in keeping with the necessary approvals, the Company allocated to Mr. Sebag 1,694,458 Ordinary shares of the Company.

b. On February 25, 2018, Mr. Roy Sebag terminated his service as Chairman of the Company's Board. It should be noted that Mr. Sebag continues to serve as the Company's CEO and a director therein.

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