

Natural Resources Holdings Ltd.
(“the Company”)

October 31, 2017

For the attention of:
Israel Securities Authority
www.isa.gov.il

For the attention of:
Tel Aviv Stock Exchange Ltd.
www.tase.co.il

Distinguished Sir/Madam:

Re: **An ad hoc report pursuant to the Companies Law, 5759 - 1999 and the Securities Law 5728 - 1968 - and pursuant to the Securities Regulations (Securities on Private Offers to a registered Company) 5770 - 2000**

Is hereby issued an Ad hoc report pursuant to 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 on Private Offer to a registered Company, 5760-2000 (hereinafter: “**the Private Offer Regulations**”) regarding Private Offerings of the Company’s Shares to the Offerees, each of whom is not an interested party (hereinafter “**the Private Offer**”), as is detailed in this report below:

1. **The Offerees**

- 1.1. Six different Offerees, none of whom are interested parties in the Company within the meaning of the term in Section 270 (5) of the Companies Law, and none of whom shall become an interested party in the Company after the allotment.
- 1.2. Neither is the Offeree related to the Controlling Shareholder of the Company or anyone acting on its behalf and / or any of the other interested parties in the Company and / or any of the other Offerees.
- 1.3. On October 31, 2017, the members of the Company’s Board of Directors approved the terms of the offering of the shares that are the subject of this report, after approval in principle by the Company’s Board of Directors at its meeting on October 17, 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 the approval of the securities stock exchange in Tel Aviv (hereinafter: “**the Stock Exchange**”) For the listing of the shares for trading, the Company shall allot securities to the Offerees as follows:

2.1.1. **Offeree A’**

500,000 ordinary shares of the Company which, as set forth in Section 3 below, constitute approximately 3.29% of the Company’s equity and voting rights after the Offer.

2.1.2. **Offeree B'**

290,000 ordinary shares of the Company which, as set forth in Section 3 below, constitute approximately 1.91% of the Company's equity and voting rights after the Offer.

2.1.3. **Offeree C'**

250,000 ordinary shares of the Company which, as set forth in Section 3 below, constitute approximately 1.64% of the Company's equity and voting rights after the Offer.

2.1.4. **Offeree D'**

227,500 ordinary shares of the Company which, as set forth in Section 3 below, constitute approximately 1.49% of the Company's equity and voting rights after the Offer.

2.1.5. **Offeree E'**

227,500 ordinary shares of the Company which, as set forth in Section 3 below, constitute approximately 1.49% of the Company's equity and voting rights after the Offer.

2.1.6. **Offeree F'**

105,000 ordinary shares of the Company which, as set forth in Section 3 below, constitute approximately 0.69% of the Company's equity and voting rights after the Offer.

The shares to be allotted to each of the Offerees shall be hereinafter referred to below: "**the offered shares.**"

- 2.2. The Offered 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, with the determining date of the right to receive them starting on their allocation date 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. The offered shares constitute about 11.75% of the issued and paid for capital and the voting rights, prior to the allotment. Following the execution of the Private Offering pursuant to this report, the Offered Shares will constitute 10.51% of the Company's issued and paid-up stock capital and of the voting rights therein, and 10.38% of the Company's issued and paid-up stock capital and voting rights, fully diluted. For details regarding the Offeree's holdings before and after the Private Offer and full dilution, see Section 3.4 below.
- 2.4. The offered securities will be allocated to the Offerees subject to receiving approvals and upholding the required terms for their allocation as detailed in Section 7 below. The offered shares will be registered for trade in the stock exchange, soon after their offering, and will be recorded with the registration company, as is required under the stock exchange regulation.
- 2.5. The blocking provisions pursuant to the Securities Law provisions, will apply to the offered securities as detailed in Section 9 herein.

3. **Stock 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 issued and paid up and the voting rights.**

- 3.1. As of the publication date of this report, the issued stock capital of the company is 1,362,046.6 NIS divided into 13,620,666 Ordinary shares of 0.01 NIS regular value. Each. The Company also allotted 200,000 non-marketable options exercisable into ordinary shares of the Company.
- 3.2. In the guideline of allocating offered securities as is detailed in this report the issued and paid-up capital of the Company stands at 1,522,046.60 NIS divided into 15,220,466 ordinary shares and 200,000 non-tradable options as stated.
- 3.3. Assuming exercise of all the options offered by the Company, the Company's issued and paid-up stock capital shall be NIS 1,542,046.6, divided into 15,420,466 ordinary shares.
- 3.4. To the best of the company's knowledge, the quantity and share of holdings of the interested parties in the company the Offerees and the rest of the Company's shareholders in the issued and paid-up capital and in the voting rights in the Company are as follows:

<u>Shareholder</u>	<u>Prior to the Private Offer</u>			<u>After the Private Offer</u>				
	Shares	Warrants	% ¹	<u>Without dilution</u>			<u>With full dilution</u>	
				Shares	Warrants	% ²	Shares	% ²
Roy Sabag	7,341,480	---	53.90	7,341,480	---	48.24	7,341,480	47.61
1401385 Ontario Inc.	1,000,000	---	7.34	1,000,000	--	6.57	1,000,000	6.48
Acct. Eran Mazor in trust	44,750	---	0.33	44,750	--	0.29	44,750	0.29
Industrial Valores S.A.	1,000,000	---	7.34	1,000,000	--	6.57	1,000,000	6.48
Andres Finkielstein	--	200,000	--	--	200,000	--	200,000	1.30
Offeree A.	--	--	--	500,000	--	3.29	500,000	3.24
Offeree B.	--	--	--	290,000	--	1.91	290,000	1.88
Offeree C	--	--	--	250,000	--	1.64	250,000	1.62
Offeree D.	--	--	--	227,500	--	1.49	227,500	1.48
Offeree E	--	--	--	227,000	--	1.49	227,000	1.48
Offeree F	--	--	--	105,000	--	0.69	105,000	0.68
The public	4,234,236	--	31.09	4,234,236	--	27.82	4,234,236	27.46
Total	13,620,466	--	100.00	15,220,466	200,000	100%	15,420,466	100.00%

In this context, it should be noted that the above did not take into account up to 1,758,072 shares that could be allocated to the Controlling Shareholder against repayment of a Credit Line that the Controlling Shareholder provided to the Company. See Ad hoc Report of July 30, 2017, reference: 2017-01-078252).

¹ In capital and voting power

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

- 4.1. The Offered Shares will be allocated to the Offerees in exchange for 1.25 NIS per share and a total of 2,000,000 NIS. In this context, it should be noted that the price in the agreement between the Company and the Offeree is quoted in US dollars, and is in the amount of \$0.35 per share, which is about 1.25 NIS according to the representative exchange rate, and accordingly, Offeree C' transferred to the Company's bank account the amount of \$87,500, which is approximately NIS 312,500 according to the representative exchange rate
- 4.2. The price per share is determined in negotiations between the parties and is about 19% higher than the price at which the Company's share was traded on the stock exchange on October 17, 2017, the date on which approval was given in principle to the allotment 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 position holders who have a personal interest in the consideration.

5. **Trade registration for ordinary shares.**

The ordinary shares and the realizable shares will be registered for trading and will be traded (subject to the blocking rules detailed in Section 9 herein) as and if all the other ordinary shares will be traded at that time of the issued stock capital of the company. As aforementioned, after their allotment, the regular shares will be registered in the name of the registration company, as is obligatory by the stock exchange regulation.

6. **Price on the Stock Exchange of the Offered Ordinary Shares**

- 6.1. The price of the Company's share on the Stock Exchange, at the end of the trading day on October 17, 2017 - the date on which the Company's Board of Directors approved the agreement in principle was NIS 1.05 NIS.
- 6.2. The share price in the private placement is about 19% higher than the share price detailed in paragraph 6.1 above.
- 6.3. The share price on the stock exchange, prior to the date of filing this report, is NIS 1.98.

7. **Required approvals and terms which were determined for performing the allocation**

The allocation of the securities to the Offerees is subject to receipt of the approval of the Tel Aviv Stock Exchange Ltd. (hereinafter "**the Stock Exchange**") for registration of the shares offered under the Private Offer.

Soon after the publication of this report, the company will contact the stock exchange in order to obtain such approval.

The shares allocated to the Offerees shall be registered in the name of a Nominee Company, as required by the Stock Exchange Rules.

8. **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 it by each one of the Offerees, and the control holder in the company, there are no agreements, whether verbal or in writing, between the Offerees and another shareholder in the company, or between each

one of the Offerees and the others, or between the Offerees themselves, about the acquisition or sale of the company securities or about the voting rights therein.

9. **Prevention of limitation of executing any activities in the allocated securities**

The restrictions set out in Section 15C of the Securities Law, and the Securities Regulations (Details as to Sections 15A to 15C) (5760 - 2000 Regulations “**shall apply to the sale of the Offered Shares, in whole or in part**”) as follows:

- 9.1. During a period of six months which will start on the day of the allotment of the offered shares (the “Period of Total Blockage”), the Offerees will not be permitted to offer the shares, according to the matter, during the trading in the stock exchange, without publishing a prospectus that the securities authority permitted its publication.
- 9.2. In the six consecutive quarters following the end of the absolute blocking period, the Offerees shall be entitled to offer the Offered Shares during trading on the Stock Exchange, without being required to publish such a prospectus, subject to the following cumulative limitations:
 - (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 which preceded the day of offering.
 - (ii) The total quantity offered for sale in each quarter by each of the Offerees separately, will not exceed 1% of the issued and paid for share capital of the company, on the day of the offer.

For the matter of Section 9.2 only - “**issued and paid-up capital**”, excluding shares that result from exercising or exchanging of convertible securities allocated until the day of the offer but 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.

- 9.3. On the sale of shares allotted to Offerees in an off-exchange transaction, no restrictions shall apply to dates or quantities, provided that any person who purchased from the Offerees or any of them as previously mentioned shares allotted to him/her, as mentioned previously in this report, shall enter into the shoes of the same Offeree for the purpose of compliance with the provisions of the Securities Law and the Regulations.

10. **Date of the securities allotment to the Offerees**

The allotment of the shares to the Offerees will take place immediately after receipt of the Stock Exchange’s approval for the listing of the shares and subject to the transfer of the amount of the consideration in respect of the Offered Shares by each of the Offerees to the Company’s bank account. As at the date of this report, the Offerees C through F have already transferred to the Company the full amount of the consideration due from them.

Natural Resources Holdings Ltd

Through Mr. Eran Mazor, Director