



HBL - Hadasit Bio-Holdings Ltd.

("Company")

To	To
Securities Authority	Stock Exchange
22 Kanfei Nesharim St.	45 Ehad Ha'am St.
Jerusalem 44555	Tel Aviv 54252
<u>Via the electronic due diligence system ("magna")</u>	

August 10, 2014

RE: Immediate report concerning the general meeting of Company warrant (series 4) holders under Section 350 of the Companies Law

In accordance with the decision of the district court in Jerusalem dated 08.05.14, and following the Company's immediate report dated 07.22.14 (ref: 2014-01-119394), the Company hereby announces a special general meeting of Company warrant (series 4) holders (hereinafter: "Warrants" or "Warrants (Series 4)"), which will take place on Sunday, September 14 2014, 10:00 AM, at the Company's offices at the biotech part in Hadassah Ein Kerem Hospital in Jerusalem (hereinafter: "the Meeting"). On the Meeting's agenda is the approval of the extension of the Warrants' exercise period and reducing their exercise price, as detailed in the immediate report herein.

1. Decision on the Meeting's Agenda

Extending of the Company's Warrants' (Series 4) exercise period to 02.26.15 (instead of 08.30.14 today) and reducing their exercise price to 0.26 NIS (instead of 1.75 NIS today). Apart from extending the exercise period and reducing the exercise price, no further changes will apply to the Warrant (Series 4) terms.

2. Background of the Decision

On 07.22.14, the Company filed a request to the district court in Jerusalem under Section 350 of the Companies Law, 5759-1999 (hereinafter: "Companies Law"), and Companies

Regulations (Application for a Compromise or Arrangement) 5762-2002, in which it appealed, inter alia, for an order to convene a meeting of Company Warrant (Series 4) holders (company liquidation 43464-07-14, hereinafter: "the Application"). At the same time, the Company filed a motion for temporary relief by which the exercise period will be extended to 09.21.14 in order to complete the requested procedure.

On 08.05.14, the court granted the Company's request and ordered the stated meeting, and extended the exercise period temporarily to 09.14.14. On 08.07.14, the court extended the exercise period to 09.21.14.

3. The Board's Reasons for Approving the Proposed Arrangement

- 3.1. The Company requires financial resources in order to continue its activities.
- 3.2. The determined exercise price (1.75 NIS, not index-lined, per warrant) is significantly higher than the Company's share price in the stock exchange (0.177 on 07.21.14). In this situation, in the event that the exercise period is not extended, there is a low probability that the Warrants will be exercised before the end of the exercise period, and therefore it seems that the Warrants will expire on their original date without the Company using them to recruit funds. Given the current share price in the stock exchange, the set exercise price is very far from the current share price in the stock exchange and therefore must be reduced to a more realistic price of 0.26 NIS.
- 3.3. Extending the exercise period for Warrants and reducing the exercise price will give Warrant holders additional time to consider the financial viability of exercising Warrants in the hope that during this time the Company's share price will rise so that there ultimately will be financial viability in exercising. As such, extending the exercise period and reducing the exercise price will increase the probability that Warrants will be exercised.
- 3.4. In the event that the Company Warrants are realized, this will lead to additional capital for the Company, without additional substantial fundraising costs to the Company, while increase the Company's equity and providing additional financial resources the Company needs to continue operations. On the other hand, if the Warrants expire, the Company loses the ability to recruit up to 2.3 million NIS which could be obtained through exercised Warrants.

- 3.5. The proposed arrangement constitutes a benefit for Company Warrant holders which, considering the costs of other alternative fundraising, also has a significant advantage to the Company, and all this without harming Company shareholders or creditors and without granting an advantage to controlling shareholders with Warrants over Warrants held by the public.

4. The Effective Date

Under the Warrant terms, as described in the prospectus published by the Company on 08.31.09, all of the provisions of the Company's Articles of Association with respect to general meetings of Company shareholders shall be considered as referring, mutatis mutandis, to general meetings of Warrant holders as well. Accordingly, the effective date for determining the entitlement of Warrant (Series 4) holders to vote in the general meeting is August 14, 2014 (hereinafter: "**the Effective Date**").

5. Classification of Holders of Securities as Having Significant Personal Interest

- 5.1. It is clarified that a participant in the owners meeting who (a) has significant holdings in the Company's share and/or (b) has significant holds of Company warrants (series 6) or warrants (series 7), will be seen as having "significant personal interest", and will be precluded from participating and voting in the owners meeting.

For this purpose:

"**Significant holdings in the Company's shares**" will be calculated as the holding rate of Company shares over 70% of the percentage of held warrants (series 4) as the terms are defined below;

"**Percentage of holdings of Company shares**" - the percentage of Company shares held in the Company's total issued and paid-up capital and the voting rights in the Company;

"**Significant holdings of Company warrants (series 6)**" will be calculated as the holding rate of Company warrants (series 6) over 70% of the percentage of held warrants (series 4) as the terms are defined below;

"**Significant holdings of Company warrants (series 7)**" will be calculated as the rate of held Company warrants (series) over 70% of the held warrants (series 4) as the terms are defined below;

"Holdings of Company warrants (series 4)" - the percentage of warrants (series 4) held of the total warrants (series 4) listed for trade;

"Holdings of Company warrants (series 6)" - the percentage of warrants (series 6) held of the total warrants (series 6) listed for trade;

"Holdings of Company warrants (series 7)" - the percentage of warrants (series 7) held of the total warrants (series 7) listed for trade;

5.2. For the purpose of classifying Warrant holders as detailed in Section 5.1 above, the Warrant (Series 4) holder requesting to participate in the Warrant holders meeting will be required to declare on the voting paper attached to this report his holdings or lack thereof of Company shares and warrants (series 6) and warrants (series 7), and if he holds Company shares, warrants (series 6) or warrants (series 7), he must declare the number of shares, warrants (series 6) or warrants (series 7) held by him on the effective date.

A Warrant (Series 4) holder who does not deliver such statement to the Company, including by way of marketing and completing the required information on the second part of the voting paper, will not be permitted to participate in the vote and his vote will not be counted.

6. The Legal Quorum for a Meeting

The legal quorum in a meeting shall be as set forth in the Company's Articles of Association (and as detailed in the prospectus), i.e., no less than two (2) Warrant (Series 4) holders must be present, either in person or by their representatives, who hold a quarter (1/4) or more of all existing Warrants (Series 4). If no level quorum is present within half an hour from the time the meeting was scheduled, the meeting will be postponed by one week, at the same place and time, or any other time if specified in the meeting notice, and items on the agenda of the first meeting will be discussed in the postponed meeting. If there is no legal quorum within half an hour from the time the postponed meeting was scheduled, the postponed meeting will be take place with the existing number of participants. The vote in the General Meeting of Warrants (Series 4) will be a count of votes only, with every Warrant counted as one vote.

7. The Majority Required for Making Decisions on the Agenda

The majority required in Company Warrant holder meetings will be as set forth in Article 350

(l) of the Companies Law, i.e., the majority of the number of participants in the vote (excluding abstentions), who together have three quarters of the value represented in the meeting.

It is hereby clarified that in addition to approval of the owners meeting mentioned in this report, approval of the Proposed Arrangement is subject to the approval of the court.

8. Viewing and Delivering Documents

Warrant holders can view the immediate report and the rest of the documents concerning the Proposed Arrangement at the offices of the Company's counsel, Ephraim Abramson & Co., 2 Beitar St. Jerusalem, Sundays-Thursdays, 9:00 AM to 4:00 PM by appointment (02-5654000).

Sincerely,

HBL Hadasit Bio-Holdings Ltd.

[Signed by Tamar Kfir, CEO]