

20 July 2016

MirLand Development Corporation PLC
(the "Company")

Update on Bond Restructuring

Further to the Company's previous announcements made in relation to the proposed new restructuring plan (the "**Settlement**") and its discussions with the trustees of the Series A-F bondholders (the "**Bondholders**"), the Company announces that representatives of the controlling shareholders of the Company - Jerusalem Economy Ltd., Industrial Buildings Corporation Ltd. and Darban Investments Ltd. (the "**Controlling Companies**"), the trustees and the Company have agreed indicative terms of the Settlement with the Bondholders.

The main principles of the Settlement are as follows:

1. Conversion of the full debt owed to the Bondholders into the following components:
 - (a) approximately 80.5% of the Company's enlarged share capital (with the possibility of dilution by the issue of the Management Options (as defined below);
 - (b) issuance of a new bond series having a principal amount of USD\$45 million (the "**New Series**").
2. The Controlling Companies agree to subscribe for up to US\$14.1million of new equity in the Company ("**Equity Subscription**") (including the capitalisation of the loan of US\$6.1million previously provided to the Company). The Equity Subscription is subject to clawback in respect of valid applications received from shareholders other than the Controlling Companies in respect of an open offer expected to be made by the Company.
3. Upon completion of the Settlement, the Company will issue to the relevant management options, representing, if exercised, 9% of the issued share capital of the Company on fully diluted basis subject to certain vesting criteria (the "**Management Options**"). The Management Options' exercise price reflects the current valuation of the Company.
4. The primary terms that will apply to the New Series are as follows:
 - (a) the principal will be repaid through three (3) equal payments on 31 December of 2021, 2022 and 2023;
 - (b) the principal will bear an annual fixed interest rate of 1% which will accrue until December 2017 (PIK interest), without compound interest, and will start to be paid from December 2017; subsequently, interest will be paid to the Bondholders in an annual manner on 31 December of each calendar year;
 - (c) the Company will have the right to repay the New Series amount at any time and at its sole discretion without incurring any fees or penalty;
 - (d) the Company will not be obligated to any restriction and /or financial covenants and will be free from any limitations on the taking of loans

and/or financial undertakings and granting any securities to guarantee such; and

- (e) the right to demand the immediate repayment of the New Series will only be granted to the bondholders in the circumstances listed in Section 35I1 of the Israel Securities Law, 5728-1968 in accordance with and subject to the provisions of the new trust deed that will be adopted.

The aforesaid terms of the Settlement were approved by the board of directors of the Company and the Controlling Companies.

In light of the above, the Company will act to convening of Bondholders meeting and shareholders meeting, which the Settlement is subject, inter alia, to their approval. The Settlement as structured would also represent a related party transaction under the AIM Rules for Companies.

The Company will make further announcements in due course.

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