

Sarine Technologies Ltd.

Corporate Presentation

August 2021



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Diamond Industry Value Chain



Our products increase profits at all stages of the diamond trade from purchase of rough diamonds to sale of polished ones

Value of Market Segments in USD (2019)



Our Technologies Span Entire Value Chain

Sarine Technologies, through its application of patented solutions (proprietary mechanics, electronics, optics, lasers and sophisticated software) is a global leader in the development of systems used throughout the entire diamond value chain, from mine to retail, from rough diamonds evaluation, planning and polishing to polished diamonds grading and trade.

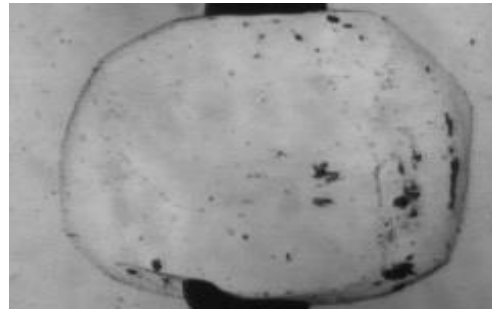
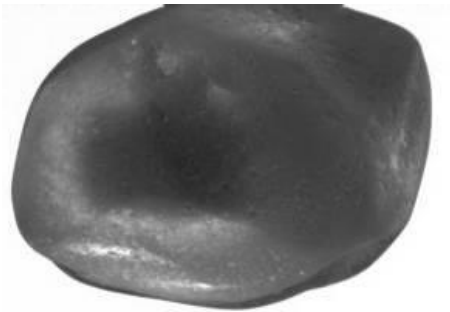


Our Revolution of Diamond Polishing



- ◆ Traditionally based on worker skill and experience: long training process and inconsistent results from different workers
- ◆ Low utilization of valuable material: ~35%
- ◆ Typically limited to simple solutions: single sawing plane with two polished diamonds
- ◆ Significant human error in execution of planned solutions

Traditional Diamond Planning

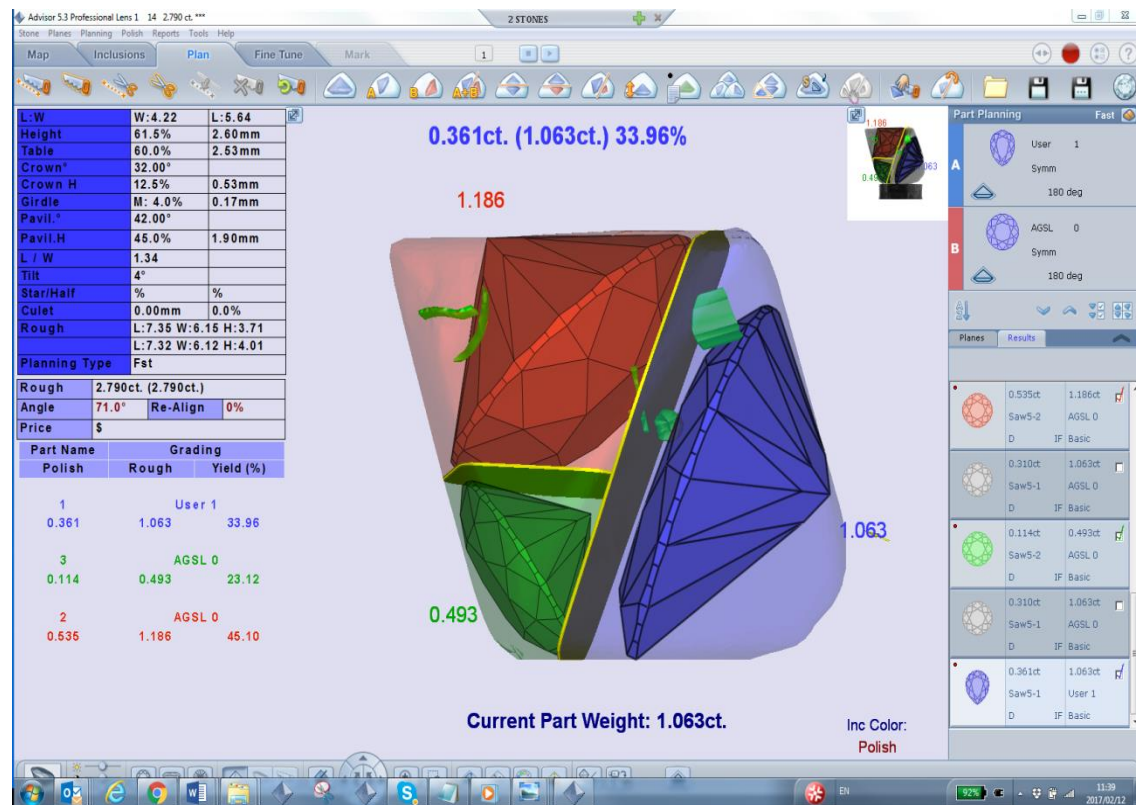


Revolution – Phase I



1999 - 2009

- ◆ Computerized planning eliminates most guesswork and risk and enables better utilization of rough diamond material
- ◆ Multiple polished diamonds from a single rough diamond (manually almost never more than two)
- ◆ From 2006 initial use of manually indicated inclusions (very rudimentary diamond Clarity solution)

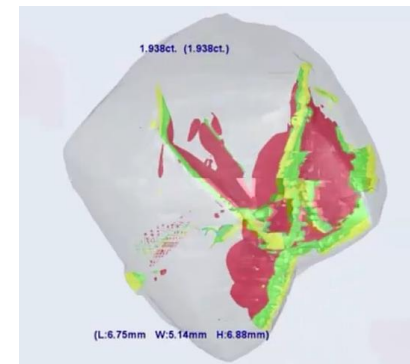


Phase II - Advisor® Meets Galaxy®

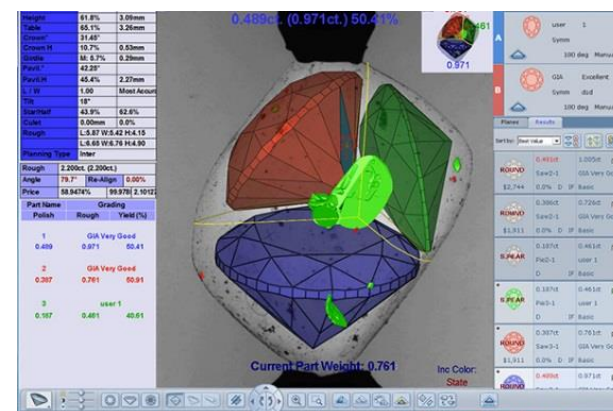


- ◆ Optimal planning is enabled by integrating with Galaxy® inclusion scanning as it enables planning including Clarity criteria for true best value.
- ◆ Advisor® is the most widely used rough planning software - **over 25,000 installations processed some 100 million rough diamonds in 2019.**
- ◆ Super fast analyses of single-point sizes to high accuracy multi-stone planning of large complicated diamonds up to 200 carats, based on real-time market trend data.
- ◆ **Optimal use of rough diamond weight increased by more than 25% from 35-40% to over 50%.**
- ◆ Integration with inclusion mapping creates higher penetration barrier; also integrated with our best-in-class Quazer® laser cutting system.

Galaxy “CT” of Rough Internals



Multiple Diamonds Planning

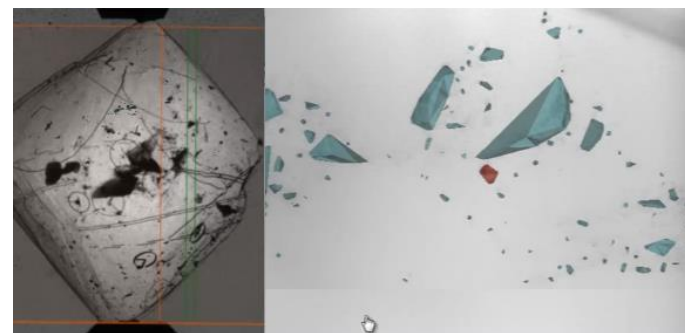


Galaxy[®] Family

- ◆ Introduced in 2010 with Galaxy[®] 1000
- ◆ Subsequent Galaxy[®] models provide solutions for higher clarities (VVS), for extra large diamonds up to 200 carats and for optimal processing of small and very small sizes to achieve cost-effective operations
- ◆ ***Price Per Carat model with >80% gross margin; recurring revenue drives today ~40% of Group top line!***
- ◆ Total installed base of 679 systems (as of end H1 2021)
- ◆ No meaningful legitimate competition for Group's patented technology.
- ◆ ***Stone scanning run rate in H1 2021 indicates annual increase in 2021 of >50% over 2019; 2020 scans were just over those of 2019 despite Covid-19 and ~30% fewer rough diamonds in pipeline.***



GALAXY
1000



GALAXY
ULTRA



Trade & Retail Downstream Revolution



- ◆ What are the challenges?
 - ◆ B2B challenges – current manual Clarity and Color grading subjective, dictating necessity for actual visual inspection at sourcing and leading to significant rejection of delivered polished diamonds.
 - ◆ Consumer transparency – 4C's primarily define rarity; consumers want additional information pertaining to beauty and quality of workmanship as well as documentation of sustainable and socially responsible mining, sourcing and polishing of diamonds.
 - ◆ Today's consumer wants information presented in intuitive and engaging digital formats enabling support of social media for peer-to-peer communications.
 - ◆ Lab-grown diamonds creating entire new market of lower valued goods, dictating need for differentiation and requiring documentation of quality and sustainability at a completely different cost level.



Traceability with Diamond Journey™



- ◆ Provides captivating visualization of the entire history of the rough stone – from mine to polished gem. Actual real-time generated imagery tracks stone through key stages from modeling at mine through polishing, culminating in its final polished form; captivates consumer with insight into painstaking craftsmanship of creating his/her unique gem.
- ◆ Documents the responsible sourcing and manufacture of the diamond – key to concern of consumers and other industry players.
- ◆ ***Not based on declaratory information but on actual data collected throughout the process*** - leverages our extensive presence in the midstream to implement ***solution with minimal overhead, disruption or cost to manufacturers*** based on existing installed base of Sarine's industry-leading technologies.
- ◆ Supported by Alrosa, world's largest diamond producer by carats and Lucara, Canadian miner operating in Botswana renown for large diamonds; additional miners evaluating.
- ◆ Leading polishers in India and Israel have adopted paradigm to be "Journey-ready" for retail demand; High-end sustainability-minded retailers already running pilot programs.
- ◆ As a benefit to miners, adding Galaxy® derived information to source scan enables digital e-tenders of rough diamonds. Adopted by Alrosa, Lucara and Grib, as well as Stargems, a leading rough secondary wholesaler in Dubai.



e-Grading™ Revolution: Clarity and Color by Artificial Intelligence Technology



- ◆ Groundbreaking Artificial Intelligence (AI) - based Clarity technology provides automated, objective Clarity grading – a first for the diamond industry. More consistent than manual process, refines Clarity grading and enhances polished diamond sorting by manufacturers and sourcing by retailers. Similarly, AI-based Color evaluation technology provides automated, objective and more precise Color grading. Gaining traction in U.S and Europe.
- ◆ The integration of these new technologies with in-process control and verification software enables polished diamonds grading on site at suppliers, wholesalers and major retailers – e-Grading™. The shift from manual grading in diamond labs to automated technology-based grading on-site significantly reduces time (hours vs. weeks) and eliminates indirect costs (e.g. shipping and insurance). Also significantly reduces direct costs as lowers both quantity and skill levels of manpower required for grading. In initial beta-testing in India.
- ◆ Business model for e-grading will be industry-standard per-carat charge (optionally packaged with light performance grading and Sarine Diamond Journey™ traceability). Should significantly expand the Group's recurring income and improve margins.
Addresses over US\$500M annual market of diamond grading. A successful rollout of e-Grading should result in gross margins similar to Galaxy® margins - ~80%.
- ◆ Working with Tiffany & Co. and signed with NGTC* to adapt to their respective criteria.

○ (*) National Gemstone Testing Centre – China's largest gemmological laboratory



Lab-Grown Diamonds



- ◆ Growing market acceptance of lab-grown diamonds (LGD) with ~50% of US retailers expected to be offering LGD in 2021.
- ◆ Shutdown of key Argyle mine, historically major producer of low-quality smaller diamonds, to contribute to expansion of LGD demand.
- ◆ Lab-grown diamonds are thus poised for rapid growth creating a new expanded market *concurrently* with and beyond today's US\$ ~80 billion natural diamond jewellery market.
- ◆ Have demonstrated applicability of our manufacturing technologies to LGD and already generating revenues from this evolving market segment.
- ◆ Due to prohibitive direct and indirect costs of third-party lab grading for LGD goods, e-Grading™ evolving as natural alternative. Also addresses 21st century technology factor – “diamonds produced by technology - graded by technology”.
- ◆ Have partnered with Constell to provide technology-based solutions for actual processing and follow-on related services on a revenue-sharing basis to customers in India.



H1 2021 – Recovery Drives Business



- ◆ Best first half since 2014.
- ◆ Revenues of US\$ 36.0M.
- ◆ Gross margin 75%, due to increased sales and product mix, including sale of inventory previously written-off.
- ◆ Operating expenses in R&D and G&A back to pre-pandemic levels; S&M still lagging 15% due to travel restrictions and trade-show cancellations. Operating margin nearly 40% with profit from operations of US\$ 14.0M.
- ◆ Net profit of US\$ 12.6M.
- ◆ Cash and short-term deposits US\$ 36.5M after repaying bulk of pandemic-related Israeli government-subsidised loans (US\$ 0.9M outstanding).
- ◆ Receivables increased to US \$27.5M; most due receivables timely collected.



Strong Balance Sheet



(US\$ millions)	30 June 2021	31 Dec 2020
Non-Current Assets	23.9	22.5
- Property, plant & equipment	11.8	12.3
- Intangible assets	2.3	2.6
- Right-of-use assets	5.2	5.1
Current Assets	70.0	57.3
- Inventories	6.7	6.2
- Trade receivables*	24.8	22.0
- Cash & bank deposits	36.5	27.6
Non-current Liabilities	6.0	8.7
- Long-term lease liabilities	5.1	5.3
Current Liabilities	16.6	10.4
- Trade payables	3.9	1.9
- Other payables	8.7	5.9
Shareholders' Equity	71.3	60.7

* There is an additional US\$ 2.8M in long-term trade receivables

Going Forward



- ◆ Continued market domination of inclusion scanning and mapping, rough planning and related manufacturing products and services. 2021 will see launch of Advisor® 8.0 with enhanced features, widening technological gap with piracy.
- ◆ The Group remains confident in expanding its market penetration of the Galaxy® family of inclusion mapping systems, as evidenced by ongoing record setting usage.
- ◆ Digital tenders due to Covid-19 obstacles opening doors for cooperation with key miners (Alrosa, Lucara, Grib) as well as with wholesale rough traders. Paradigm to remain after pandemic as it reduces costs, improves margins and enables nimbler moving of inventory. Key indirect benefit is enabling Sarine to establish critical anchors for traceability.
- ◆ Sarine Profile™, Sarine Diamond Journey™, light performance grading and AI-derived 4Cs e-Grading™ address the wholesale and retail trade of polished diamonds – the segments of the diamond value chain with highest margins. ***Optimally, these combined offerings should capture double-digit share of US\$ 500M+ market with high ~80% gross margins.*** Currently, revenues along with digital tenders are just under 6% of sales.
- ◆ Our manufacturing-related, grading and retail/branding technologies are all applicable to LGD. Already generating revenues. Have partnered with Constell, a key provider of outsourcing services to bring technologies to this segment.

