Sarine Technologies Ltd.
and its Subsidiaries

(Incorporated in Israel)

PART 1 INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statements of Comprehensive Income (loss) for the (US$'000):

	Group Quarter ended March 31, 2018	2017	Change %
Revenue	**16,661**	**16,271**	**2.4**
Cost of sales	5,295	5,219	1.5
Gross profit	**11,366**	**11,052**	**2.8**
Research and development expenses	2,668	3,018	(11.6)
Sales and marketing expenses	3,455	3,492	(1.1)
General and administrative expenses	1,679	1,374	22.2
Profit from operations	**3,564**	**3,168**	**12.5**
Net finance income (expense)	24	(19)	NM
Profit before income tax	**3,588**	**3,149**	**13.9**
Income tax expense	480	698	(31.2)
Profit for the period	**3,108**	**2,451**	**26.8**
Foreign currency translation differences from foreign operations	(166)	398	NM
Total comprehensive income for the period	**2,942**	**2,849**	**3.3**

Notes to consolidated statements of comprehensive income (loss) (US$'000)

Profit before income tax is stated after charging the following:

	Group Quarter ended March 31, 2018	2017	Change %
Allowance for doubtful trade receivables	7	4	75.0
Depreciation and amortization	909	948	(4.1)
Interest income, net	82	72	13.9
Exchange rate differences	(58)	(91)	(36.3)
Warranty provision	2	(6)	NM

NM- Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statement of Financial Position as at (US$'000):

	Group		Company	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Assets				
Property, plant and equipment	15,337	15,646	1,785	1,961
Intangible assets	6,222	6,648	394	411
Investment in equity accounted investee and subsidiaries	--	--	50,385	47,200
Deferred tax assets	1,599	1,595	400	400
Total non-current assets	23,158	23,889	52,964	49,972
Inventories	6,341	7,200	3,921	4,285
Trade receivables	17,250	17,269	3,619	2,566
Other receivables	3,146	2,888	1,474	1,507
Short-term investments (bank deposits)	15,271	12,381	8,636	9,165
Cash and cash equivalents	20,218	16,736	10,213	8,792
Total current assets	62,226	56,474	27,863	26,315
Total assets	85,384	80,363	80,827	76,287
Equity				
Share capital*	--	--	--	--
Dormant shares, at cost	(3,055)	(3,055)	(3,055)	(3,055)
Share premium, reserves and retained earnings	77,083	73,773	77,083	73,773
Total equity	74,028	70,718	74,028	70,718
Liabilities				
Employee benefits	205	208	194	197
Total non-current liabilities	205	208	194	197
Trade payables	2,171	1,750	1,357	1,167
Other payables	8,018	6,673	5,027	3,987
Current tax payable	666	720	--	--
Warranty provision	296	294	221	218
Total current liabilities	11,151	9,437	6,605	5,372
Total liabilities	11,356	9,645	6,799	5,569
Total equity and liabilities	85,384	80,363	80,827	76,287

* No par value

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.
Zero borrowings from banks as at March 31, 2018 and December 31, 2017.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Cash Flows (US$'000):

	Group Quarter ended March 31, 2018	2017
Cash flows from operating activities		
Profit for the period	3,108	2,451
Adjustments for:		
Share-based payment expenses	288	423
Income tax expense	480	698
Depreciation of property, plant and equipment	483	554
Amortisation of intangible assets	426	394
Net finance income	(24)	19
Changes in working capital		
Inventories	901	(40)
Trade receivables	19	1,268
Other receivables	(201)	36
Trade payables	421	(337)
Other liabilities	1,308	(464)
Employee benefits	(3)	8
Income tax paid, net	(595)	(436)
Net cash from operating activities	6,611	4,574
Cash flows used in investing activities		
Acquisition of property, plant and equipment	(343)	(1,817)
Short-term investments, net	(2,890)	(2,686)
Interest received	82	72
Net cash used in investing activities	(3,151)	(4,431)
Cash flows used in financing activities		
Proceeds from exercise of share options	80	219
Net cash used in financing activities	80	219
Net increase in cash and cash equivalents	3,540	362
Cash and cash equivalents at beginning of the period	16,736	19,467
Exchange rate differences	(58)	(91)
Cash and cash equivalents at end of the period	20,218	19,738

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Shareholders' Equity

Group (US$'000)

	Share Capital*	Share premium and reserves	Translation reserve	Retained earnings	Dormant shares	Total
Balance at January 1, 2017	--	29,688	(1,919)	53,957	(2,413)	79,313
Profit for the period ended March 31, 2017	--	--	--	2,451	--	2,451
Other comprehensive loss for the period ended March 31, 2017	--	--	398	--	--	398
Share-based payment expenses	--	423	--	--	--	423
Exercise of options	--	219	--	--	--	219
Balance at March 31, 2017	--	30,330	(1,521)	56,408	(2,413)	82,804
Balance at January 1, 2018	--	31,235	(1,386)	43,924	(3,055)	70,718
Profit for the period ended March 31, 2018	--	--	--	3,108	--	3,108
Other comprehensive income for the period ended March 31, 2018	--	--	(166)	--	--	(166)
Share-based payment expenses	--	288	--	--	--	288
Exercise of options	--	80	--	--	--	80
Balance at March 31, 2018	--	31,603	(1,552)	47,032	(3,055)	74,028

* No par value

Statement of Changes in Shareholders' Equity

Company (US$'000)

	Share Capital*	Share premium and reserves	Translation reserve	Retained earnings	Dormant shares	Total
Balance at January 1, 2017	--	29,688	(1,919)	53,957	(2,413)	79,313
Profit for the period ended March 31, 2017	--	--	--	2,451	--	2,451
Other comprehensive loss for the period ended March 31, 2017	--	--	398	--	--	398
Share-based payment expenses	--	423	--	--	--	423
Exercise of options	--	219	--	--	--	219
Balance at December 31, 2016	--	30,330	(1,521)	56,408	(2,413)	82,804
Balance at January 1, 2018	--	31,235	(1,386)	43,924	(3,055)	70,718
Profit for the period ended March 31, 2018	--	--	--	3,108	--	3,108
Other comprehensive income for the period ended March 31, 2018	--	--	(166)	--	--	(166)
Share-based payment expenses	--	288	--	--	--	288
Exercise of options	--	80	--	--	--	80
Balance at March 31, 2018	--	31,603	(1,552)	47,032	(3,055)	74,028

* No par value

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	March 31, 2018	December 31, 2017	March 31, 2017
	No. of shares	No. of shares	No. of shares
Authorised:			
Ordinary shares of no par value	2,000,000,000	2,000,000,000	2,000,000,000
Issued and fully paid:			
Ordinary shares of no par value	353,672,126	353,470,626	352,417,188
Dormant shares (out of the issued and fully paid share capital):			
Ordinary shares of no par value	2,330,000	2,330,000	1,623,100
Total number of issued shares (excluding dormant shares)	351,342,126	351,140,626	350,794,088

For the three months ended March 31, 2018, 201,500 share options were exercised into ordinary shares. For the three months ended March 31, 2018, the Company did not purchase any of its ordinary shares.

In accordance with Israeli Companies Law, Company shares that have been acquired and are held by the Company are dormant shares (treasury shares in Singaporean terms) as long as the Company holds them, and, as such, they do not bear any rights until they are transferred to a third party. The issued and fully paid shares as at March 31, 2018 and December 31, 2017 included 2,330,000 dormant shares, respectively.

Details of changes in share options:

	Average exercise price in US$ per share	Options
At January 1, 2018	1.248	19,833,650
Granted	0.880	6,770,000
Cancelled	1.262	(1,035,749)
Exercised	0.396	(201,500)
At March 31, 2018	1.176	25,366,401

At March 31, 2018, the average exercise price in Singapore dollars per share was S$ 1.543, based on an exchange rate of US$ 1 = S$ 1.3117.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at March 31, 2018, the total number of issued shares excluding dormant shares was 351,342,126 (as at December 31, 2017- 351,140,626). As at March 31, 2018, the total number of dormant shares was 2,330,000 (as at December 31, 2017- 2,330,000).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

For the three months ended March 31, 2018, the Company did not purchase any of its ordinary shares, and there was no sale, transfer, disposal, cancellation and/or use of treasury shares by the Company.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended December 31, 2017 have been applied in the preparation for the financial statements for period ended March 31, 2018, except for the adoption of IFRS 15, Revenues from Contracts with Customers and IFRS 9 (2014), Financial Instruments.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The adoption of IFRS 15 and IFRS 9 (2014) has had an immaterial effect on the Group's consolidated financial statements from January 1, 2018, and has had no impact on the presented comparable periods.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	For the Quarter ended March 31,	
	2018	**2017**
US cents		
Basic earnings per share	0.88	0.70
Diluted earnings per share	0.88	0.70
Singapore cents*		
Basic earnings (loss) per share	1.15	0.92
Diluted earnings (loss) per share	1.15	0.92

Basic earnings per share for the three months ended March 31, 2018 are calculated based on the weighted average number of 351,319,876 ordinary shares issued during the current period and the equivalent of 350,567,502 ordinary shares during the preceding period.

Diluted earnings per share for the three months ended March 31, 2018 are calculated based on the weighted average number of 351,331,944 ordinary shares and outstanding options and the equivalent of 350,718,584 ordinary shares and outstanding options during the preceding period.

* Convenience translation based on exchange rate of US$ 1= S$ 1.3117 at March 31, 2018.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:**
   (a) **current financial period reported on; and**
   (b) **immediately preceding financial year.**

	Group		Company	
	March 31, 2018	**December 31, 2017**	**March 31, 2018**	**December 31, 2017**
Net asset value (US$ thousands)	74,028	70,718	74,028	70,718
Net asset value per ordinary share (US cents)	21.07	20.14	21.07	20.14
Net asset value per ordinary share (Singapore cents*)	27.64	26.42	27.64	26.42

At March 31, 2018, net asset value per share is calculated based on the number of ordinary shares in issue at March 31, 2018 of 351,342,126 (not including 2,330,000 dormant ordinary shares at March 31, 2018). At December 31, 2017, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2017 of 351,140,626 (not including 2,330,000 dormant ordinary shares at December 31, 2017).

* Convenience translation based on exchange rate of US$ 1=S$ 1.3117 at March 31, 2018.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
   (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
   (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Overview

In Q1 2018 the Group realised revenues of US$ 16.7 million, profit from operations of US$ 3.6 million, and net profit of US$ 3.1 million, as compared to revenues of US$ 16.3 million, profit from operations of US$ 3.2 million, and net profit of US$ 2.5 million in Q1 2017, and as compared to revenues of US$ 12.9 million, profit from operations of US$ 2.1 million and net profit of US$ 0.6 million in Q4 2017.

The year-over-year improvement in our revenues was primarily due to increased recurring revenues, from our Galaxy® family of inclusion mapping systems. Operating and net profits also benefitted from somewhat lower operating expenses and a more normalised tax rate, as detailed below.

The significant sequential quarterly increase in our revenues was mainly due to renewed robust activity in the midstream manufacturing sector, which led to both increased equipment sales and recurring revenues. Profit from operations improved primarily due to increased revenues offset by higher operating expenses in Q1 2018, mainly due to the reversal in Q4 2017 of most of the accrued incentive-based compensation, which had been accrued earlier during the year, following the overall weak FY2017 results. Net profit in Q1 2018 benefitted by a more normalised tax rate (Q4 2017 included a write-down of US$ 1.0 million of certain deferred and other tax assets).

With deliveries in Q1 2018 of 12 Galaxy® family systems to customers, comprising 5 of the new Meteorite™ model, 5 of the Meteor™ model, one Galaxy® and one Galaxy® XL (all but the XL, in India) our installed base grew to 357 as of March 31, 2018. Overall recurring revenues for Q1 2018 (including Galaxy®-related, Quazer® services, polished diamond related ("Trade") services, annual maintenance contracts, spare parts, etc.) represented about 45% of our overall revenue. Overall polished diamond retail-related revenues, currently from the Sarine Profile™ and its various components (Sarine Light™, Sarine Loupe™, Sarine Connect™, etc.), were 2% of our overall revenue for Q1 2018.

Balance Sheet and Cash Flow Highlights

As at March 31, 2018, cash, cash equivalents and short-term investments (bank deposits) ("**Cash Balances**") increased to US$ 35.5 million as compared to US$ 29.1 million as of December 31, 2017. The increase in Cash Balances was primarily due to the Group's improved operating results, higher payables and lower inventory levels.

Revenues

Revenue by geographic segments -- (US$ '000)

Q1 2018 versus Q1 2017				
Region	**Q1 2018**	**Q1 2017**	**$ change**	**% change**
India	13,523	13,028	495	3.8
Africa	854	689	165	23.9
Europe	344	597	(253)	(42.4)
North America	280	316	(36)	(11.4)
Israel	1,053	906	147	16.2
Other*	607	735	(128)	(17.4)
Total	16,661	16,271	390	2.4

Q1 2018 versus Q4 2017				
Region	**Q1 2018**	**Q4 2017**	**$ change**	**% change**
India	13,523	7,406	6,117	82.6
Africa	854	2,006	(1,152)	(57.4)
Europe	344	872	(528)	(60.6)
North America	280	201	79	39.3
Israel	1,053	1,178	(125)	(10.6)
Other*	607	1,274	(667)	(52.4)
Total	16,661	12,937	3,724	28.8

*primarily Asia, excluding India

Revenues for Q1 2018 increased to US$ 16.7 million as compared to revenues of US$ 16.3 million in Q1 2017, and as compared to US$ 12.9 million in Q4 2017. The increase in revenues on a year-over-year basis, mainly in India, was primarily due to increased Galaxy®-related recurring revenues, which is noteworthy given that the aggregate volumes of sights in Q1 2018 were some 10% less than in Q1 2017. The significant sequential quarterly increase in revenues, especially in India, was primarily due to renewed midstream manufacturing activity.

Cost of sales and gross profit

Cost of sales for Q1 2018 increased to US$ 5.3 million virtually the same as the US$ 5.2 million in Q1 2017, and as compared to US$ 4.5 million in Q4 2017, with gross profit margins of 68% in Q1 2018 virtually flat with Q1 2017, and higher than the 65% reported in Q4 2017. The year-over-year increase in the cost of sales was due primarily to higher sales volumes in Q1 2018 as compared to Q1 2017. The increase in cost of sales on a sequential basis and the higher gross profit margin were primarily due to higher sales volumes and product mix.

Research and development expenses

Research and development expenses for Q1 2018 and the comparable periods are shown in the table below. The Group capitalised in Q4 2017 (in compliance with IFRS), costs associated with the development of the Sarine Clarity™ and Sarine Color™ systems, resulting in lower reported expenses. These systems began commercial use in Q1 2018, as we commenced grading of polished diamonds' 4C's in our Sarine Technology Lab in February 2018.

US$ (thousands)	**Q1 2018**	**Q1 2017**	**Q4 2017**
R&D expenses as reported	2,668	3,018	2,014
Capitalised development	--	--	353
Total R&D costs incurred	2,668	3,018	2,367

Research and development costs for Q1 2018 of US$ 2.7 million decreased as compared to US$ 3.0 million in Q1 2017 and increased as compared to US$ 2.4 million in Q4 2017. The year-over-year decrease in research and development costs, as planned, was primarily due to the completion of major development efforts related to our key Sarine Profile™ enhancements – the AI-based Sarine Clarity™ and Sarine Color™ as well as the Sarine Journey™, resulting in significantly lower outsourcing and employee compensation expenses. The sequential quarterly increase in costs was due to the recorded reversal in Q4 2017 of accrued incentive-based compensation, which had been accrued earlier in FY2017.

Sales and marketing expenses

Sales and marketing expenses for Q1 2018 of US$ 3.5 million were virtually flat with Q1 2017 and increased as compared to US$ 3.0 million in Q4 2017. The sequential increase in sales and marketing expenses was primarily due to the reversal in Q4 2017 of accrued incentive-based compensation, which had been accrued earlier in FY2017.

General and administrative expenses

General and administrative expenses for Q1 2018 increased to US$ 1.7 million as compared to US$ 1.4 million in each of Q1 2017 and Q4 2017. The increase in general and administrative expenses was primarily due to higher third-party professional fees related to our aggressive IP protection activities in India and the US (see Section 10). Q4 2017 saw a temporary hiatus in our court-related IP activities in India, due to the Diwali holiday break.

Profit from operations

Profit from operations for Q1 2018 increased to US$ 3.6 million as compared to US$ 3.2 million in Q1 2017 and US$ 2.1 million in Q4 2017. The increase in profit from operations on a year-over-year basis was due to increased revenues and somewhat lower operating expenses in Q1 2018 as compared to Q1 2017, as detailed above. The increase in profit from operations on a sequential quarterly basis was primarily due to significantly increased revenues in Q1 2018 versus Q4 2017, as detailed above.

Net finance income

Net finance income for Q1 2018 was US$ 24,000 as compared to net finance expense of US$ 19,000 in Q1 2017, which was mainly due to lower exchange rate differences in the current period.

Income tax expense

The Group recorded an income tax expense of US$ 0.5 million for Q1 2018 as compared to an expense of US$ 0.7 million for Q1 2017 and an expense of US$ 1.4 million in Q4 2017. The income tax expense in Q1 2018 was essentially a normalised tax expense, based on a blended rate derived from the Group's export oriented activities. The higher income tax expenses of Q1 2017 and Q4 2017 included write-downs of US$ 0.3 million and US$ 1.0 million, respectively, of certain deferred and other tax assets.

Profit for the period

Net profit for Q1 2018 increased to US$ 3.1 million as compared to US$ 2.5 million in Q1 2017 and US$ 0.6 million in Q4 2017. The increase in net profit on a year-over-year basis was due to increased revenues, somewhat lower operating expenses and the absence of any tax write-downs in Q1 2018 as compared to Q1 2017, as detailed above, as was the increase in net profit on a sequential quarterly basis versus Q4 2017.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

We expect the following industry trends to continue influencing our business:

a. Fundamental global economic indicators continue to be overall positive.

b. The first De Beers sights of 2018 have been either slightly lower or on a par with those of 2017, totalling in aggregate some 10% less than in the corresponding period of 2017. Rough prices were flat in the initial sights and 2-3% higher in April. Alrosa's offerings have trended similarly. This is in line with DeBeers stated policy for 2018, which they believe will be a good year for the polished diamond jewellery industry, therefore justifying measured increases in rough prices. We believe the quantities offered and the prices asked, as well as the sightholders uptake of the goods, show prudent inventory management by all parties concerned. As of this writing there has not been any negative impact on industry midstream activity from the current minimal price increases. As always, this is a key factor to track and we will continue to report on pricing trends as they develop.

c. Inventory levels have been reduced by holiday season sales, as expected, and have now stabilised with midstream industry activity remaining robust, and no negative developments currently apparent. As always, this is a key factor to track, and we will continue to report on inventory trends as they develop.

d. Sales programs utilising Sarine Profile™ by retailers in the Asia Pacific (APAC) region continue to expand. Following a very successful trade show in January in Japan, new or expanded programs are being initiated with existing and numerous new retailers both large and small. Our target for 2018 continues to be to double the number of stones scanned for our Sarine Profile™ programs, as compared to 2017.

e. We have enhanced the Sarine Profile™ with a new feature, the Sarine Diamond Journey™, which graphically documents and depicts the stone's transition from a unique rough stone to a one-of-a-kind polished gem. Existing and new retail customers are planning launches of new programs or enhancements of existing programs with this new unique feature. In addition to Dominion, the Canadian miner, who is implementing the feature in their Canada Mark program, other producers have also expressed interest in exploring the use of the Sarine Diamond Journey™ in various formats.

f. We formally opened our new Sarine Technology Lab on 18 February 2018, enabled by our automated, consistent and objective AI-based Clarity and Color grading of polished diamonds. Along with our industry-leading technology for Cut and Symmetry grading, as well as technology acquired for the authentication of the graded polished diamonds, we can now provide the first-ever technology-enabled 4Cs diamond reports. K-Uno, a key high-end Japanese retailer announced its adoption of our new reports in mid-April. Significant additional midstream and downstream players have expressed interest in our unique ground-breaking solution. With the opening of our second lab in India in May, the necessary logistics will be in place to support additional higher-volume retail customers in the APAC region, who will be launching programs with our reports in Q2/Q3.

g. We delivered 12 inclusion mapping systems in Q1, 5 of the new Meteorite™ model, 5 of the Meteor™ model, one Galaxy® and one Galaxy® XL, notably all, but the XL, in India. These deliveries bring our installed base to 357 as of 31 March 2018. Though the illicit competition continues to affect sales of our inclusion mapping systems, we believe that the sale of 11 systems in India this quarter, including 10 of the models for smaller stones, is indicative of a growing recognition of the benefits of forsaking the use of the illicit technology. This is in addition to growing numbers of manufacturers, including smaller ones, negotiating the adoption and conversion of their facilities to the sole use of Advisor® 7.0, precluding any subsequent use of the illicit competition's offerings. We continue to see scanning activities at record levels, even though the volumes of DeBeers and Alrosa's rough sales have decreased by some 10% on a yoy basis. We believe this is an indication of our success, though not complete, in minimising the infringing parties' impact on our business through the many aggressive steps we have implemented, as detailed in the following paragraph.

h. Based on tangible indications, including our setting new records of rough stones being scanned by our inclusion mapping systems irrespective of the 10% drop in the number of rough stones entering the pipeline, as mentioned above, the number of users who have migrated to Advisor 7.0 and the renewed requests for quotations and actual sales of inclusion mapping systems to Indian manufacturers (including for the Meteorite™ system, for scanning very small rough diamonds, which specifically competes with the illicit competition on their main turf), we believe we are not only preventing the expansion of the impacts of the piracy, but actually constraining it significantly. Amongst the patent and copyright enforcement activities we are pursuing we note the following main efforts:

- In the Indian judicial system, we are pursuing parallel lawsuits for patent infringement and copyright (software) infringement. In both actions we have requested interim injunctions to put an immediate halt to the infringing activities, pending the trials and final outcome of the matters.
  - ➢ In the patent case, the lower court recently denied our request for an interim injunction, but it did issue direct orders to the defendants (in our opinion, infringers) to refrain from using vacuum pumps or other bubble prevention mechanisms as part of their system, a key claim in our Indian patent which the defendants claim they do not breach. Based on new circumstantial evidence regarding the infringing party's actual importation of vacuum pumps identical to those used in our systems, as well as on additional issues that we believe the court did not sufficiently consider, we have appealed this issue to the High Court and filed a complaint on contempt of court.
  - ➢ Concerning the copyright suit, the High Court of Gujarat overturned the decision of the lower court denying our request for an interim injunction and ordered the lower court to reconsider the matter using criteria based on actual comparison of the parties' software. The lower court has heard arguments by the parties on how that is to be done and by who, and has issued a ruling on how the comparison is to be done (including sending a commissioner to the infringing party to collect their software) and has appointed a U.S. expert to execute the comparison. The infringing party appealed the lower court's rulings to the High Court, but their appeal was dismissed and the lower court has thus ordered that the comparison move forward without further delay.
- U.S Enforcement – We have alerted major diamond importers and dealers that their supply of polished diamonds from India may contain goods that infringe Sarine's U.S. patents and copyrights, which, if not abated, could lead, under U.S. law, to the banning of importation of said infringing goods. We have encountered a spirit of cooperation from key U.S. retailers, have had meetings with a number of key retailers and have provided and are providing them with additional significant information regarding the infringing activities accordingly. The supply chain policies, questions and actions initiated by some of the leading retailers have notably increased pressure on the infringing parties in India.
- Technological – The newest Advisor® 7.0 and the revolutionary DiaExpert® Edge (already adopted by just under 40 major manufacturers in India with a couple of hundred to be delivered in Q2) offer tangible benefits and enhanced planning capabilities. These enhancements continue to drive manufacturers to migrate upwards to the latest version of our Advisor®, as noted above. To date, users of over 12,000 installations of our 20,000+ installed planning systems have adopted the latest software.
- Commercial – It is becoming very apparent that our expanding relationships with major retailers launching Sarine Profile™-enhanced programs, as well as our relationships with producers interested in the Sarine Diamond Journey™, and our insistence that only suppliers

who have migrated to Advisor® 7.0 can participate in same, have created a very strong commercial incentive to migrate, which precludes the use of infringing technologies (see above).

i. Other related legal actions we have undertaken concerning our IP infringement also include:
    - On another related issue, we have filed a lawsuit against Rose Gems who purchased a Galaxy® system and who unlawfully and purposely manipulated the reporting of the sizes (carat weights) of the stones processed by their system in order to reduce the use fees owed the Group. Rose Gems has expressed their desire to settle this lawsuit out of court.
    - Israeli Enforcement – as announced on 29 March 2018, concerning the attempt by two Indian nationals to buy Sarine's Galaxy® system's schematics, list of parts and vendors and software source code for US$1,000,000, which was offered to an investigator posing as a Sarine employee, the perpetrators have been convicted and ordered to pay a substantial fine, with one perpetrator also sentenced to eight months in Israeli prison, and the second deported from the country.

We will focus our research and development initiatives on the following objectives:

- **Polished diamond oriented systems**:
    - We will continue to enhance our **Sarine Profile™**:
        - We are enhancing the displays provided by the Sarine Profile's™ pertaining to the presentation of inclusion-related information, both as derived directly from the Sarine Loupe™ and as derived during the 4Cs automated grading process by the Sarine Clarity™, to provide another level of display in tune with the retail environment and specifically engineered to provide the consumer with truly meaningful visual cues as to the quality of the diamond being offered. This in contrast to the more detailed, somewhat overwhelming, information provided to expert graders and trading professionals. Both these new features, adding value to the consumer's retail experience, will be launched in Q2 2018.
        - Personalisation of the Sarine Profile™ by the diamond's consumer buyer, allowing the creation / importation of text, imagery, music and video (e.g., the proposal), as a means of personifying his / her message to the ultimate recipient of the purchased jewel.
        - Enhancement of our support of jewellery pieces, in addition to loose polished diamonds. As retail businesses display set jewellery more often than loose stones, this will significantly broaden the appeal and applicability of Sarine Profile™.
    - Further refinement of the **Sarine Clarity™ and Sarine Color™** AI-based grading capabilities, to achieve broader relevance to additional shapes and sizes of polished diamonds and even better accuracy and consistency.
    - We are exploring additional use of the information generated during the various stages of the rough diamond planning process (primarily the inclusion mapping and yield/value optimisation stages), in addition to the Sarine Diamond Journey™, in order to provide the industry with additional value-enhancing solutions. A possible application may be diamond provenance verification for enhanced consumer confidence, as being proposed by numerous industry players.

- **Manufacturing products**:
    - **DiaExpert® Edge** – Further refine the newly launched DiaExpert® Edge for more accurate rough stone modelling.
    - **Galaxy® Tension Mapping** – We are extending our Galaxy® capabilities not only for inclusion detection but also for tension/stress detection and modelling. We believe that understanding the location, structure and magnitude of stress inside a rough stone may contribute to the reduction of damage that can be caused to a stone during laser sawing and other manufacturing processes. We are proceeding with large scale testing of this new technology to more fully evaluate its potential, and expect to commence beta-installations of this feature in the second half of 2018.
    - **Axiom™** – Our third generation of standard-setting Axiom™ system for the ultra-accurate (better than 10 micron accuracy) measurement of a polished diamond's proportions has started beta-testing in India. The new system provides for unmatched accuracy in the measurement of fancy shaped diamonds, including special modified branded shapes. This ability should enable the Sarine Profile™ to support more accurate analyses and renditions of fancy and special shapes. As these diamonds typically do not get a Cut grade from gem labs, by empowering better analyses of these diamonds by the Sarine Technology Lab, we should be able to provide a better means to document their quality, with potential to add impetus to our reports' adoption.

11. Dividend

(a) Current Financial Period Reported
Any dividend declared/recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived.

Not applicable.

(d) Date Payable

Not applicable.

(e) Books Closure Date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions under Rule 920(1)(a)(ii). If no IPT mandate has been obtained a statement to that effect.

The Group has not obtained a general mandate from its shareholders for IPTs.

14. Negative confirmation pursuant to Rule 705(5) (not required for announcement of full year results).

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial results of the Group for the period ended March 31, 2018, to be false or misleading, in any material aspect.

15. Confirmation pursuant to Rule 720 (1) of the Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720 (1) of the Listing Manual.

On behalf of the Directors

Daniel Glinert

Daniel Benjamin Glinert
Executive Chairman
13 May 2018